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FINANCIAL TIMES

Wednesday May 6 1992 EUROPE'S BUSINESS NEWSPAPER D 8523A

Russia in nuclear isotope deal with British company

Russia's nuclear industry will today announce its first big deal to supply radioactive materials to the west. The Russian Ministry of Atomic Energy and Industry is setting up a joint venture with the UK's Amersham International which will sell radioactive isotopes made at the ministry's Mayak production centre in the Urals. Mayak is initially expected to receive $15m a year in hard currency for the isotopes. Page 18; US action over missile deal, Page 8

Hachette, troubled French publishing and media group, unveiled a FFr2.8bn ($506m) rescue plan and said it would merge with Matra, its electronics-to-transport sister company, by the end of the year. Page 19; Lex, Page 18

Bosnia truce move: Bosnia's presidency signed a truce with Yugoslav federal army representatives yesterday, according to an unnamed European Community mediator. The truce was supposed to take effect by last night. UN envoy reaches Sarajevo, Page 2

Deutsche Bank plans to reorganise and expand its North American operations to boost its presence in US capital markets and private banking. The German bank has more than trebled its US assets to $14bn since 1990. Page 19

Recovering the booty: Los Angeles police have been tracking down goods looted during the city's three days of racial violence – often tipped off by neighbours. Some looters, apparently suffering remorse, voluntarily returned stolen items. Bush to visit Los Angeles, Page 6

Hong Kong contract: A consortium led by Britain's Trafalgar House is expected to emerge tomorrow as winner of a HK$8bn ($1bn) Hong Kong government contract to build one of the world's biggest suspension bridges. Page 18

Crimea secession: The parliament of the Crimean peninsula declared independence from Ukraine, subject to a referendum. Ukrainian president Leonid Kravchuck recently warned of possible bloodshed if the territory, which has a Russian majority, were to question Ukraine's sovereignty. Page 3

Options link-up: Four European futures and options exchanges are to co-operate. The Amsterdam-based European Options Exchange, OM Group, which has exchanges in both London and Stockholm, and the Swiss Options and Financial Futures Exchange (Soffex) signed an agreement in London. Page 22

Tajikistan clashes: At least five people were believed dead after supporters and opponents of Tajikistan's conservative authorities clashed in Dushanbe, capital of the former Soviet republic.

Olympia & York, the troubled property developer, has called its 15 largest bank lenders to a meeting in London tomorrow to outline its long-term restricturing plans. Page 21

Lebanese on rampage: Demonstrators burned down the house of Lebanese finance minister Ali Khalil and raided money exchange shops in protest against the collapse of the Lebanese dollar. Page 9

Paper deal: South African paper company Sappi is to pay DM400m ($242m) for a 90 per cent stake in Hannover Paper, the German pulp and paper concern which is a leading producer of wood-free paper. Sappi is part of the Gencor group.

Swedish steel: Sweden's government aims to raise about SKr1.85bn ($312.5m) next month by selling its controlling stake in state steel company SSAB. Page 19

Heseltine spells out his priorities:

Michael Heseltine, recently appointed president of Britain's Board of Trade, promised to do more to champion the cause of UK industry at home and abroad. He told the Financial Times his first priority would be to "help British industry to win" and said he would lead efforts to ensure businesses received better advice and help from government departments. Page 10

European Championship host: England has been picked to host football's European Championship in 1996 – the first time since 1966 that an international soccer tournament will have been held in the UK. Page 10

Tyson in solitary Jailed former heavyweight boxing champion Mike Tyson, 25, who is serving a six year sentence in Indiana for rape, was put in solitary confinement after allegedly threatening a prison official.

STOCK MARKET INDICES

FT-SE 100:	2,582.2	(+2.4)
Yield	4.56	
FT-SE Eurotrack 100	1,176.28	(+3.23)
FT-A All Share	1,288.53	(+0.2%)
Nikkei	closed	
New York lunchtime:		
Dow Jones Ind Ave	3,374.11	(–4.02)
S&P Composite	417.45	(+0.54)

US LUNCHTIME RATES

Federal Funds:	3¾%
3-mo Treas Bills: Yld	3.715%
Long Bond	98¾
Yield	8.016%

LONDON MONEY

3-mo Interbank	10⅛%	(10⅜%)
Liffe long gilt future:	Jun 98⅛	(Jun 99⅛)

NORTH SEA OIL (Argus)

Brent 15-day June	$19.875	(19.775)

Gold

New York Comex May	$337.5	(337.3)
London	$336.6	(337.25)

STERLING

New York lunchtime:		
$	1.7858	
London:		
$	1.7825	(1.785)
DM	2.925	(2.93)
FFr	9.8475	(9.88)
SFr	2.69	(2.6775)
Y	237.25	(236.75)
£ Index	92.2	(92.4)

DOLLAR

New York lunchtime:		
DM	1.6375	
FFr	5.5195	
SFr	1.506	
Y	133.05	
London:		
DM	1.6405	(1.641)
FFr	5.525	(5.535)
SFr	1.5085	(1.5)
Y	133.1	(132.7)
$ Index	64.5	(same)
Tokyo Y closed		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp5800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2600	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Russia plans fully convertible rouble

By Leyla Boulton in Moscow

THE RUSSIAN government yesterday outlined a bold timetable which, in theory, would allow the rouble to trade freely against other currencies.

Under the plan the rouble would have a single floating exchange rate for all current account transactions from July.

Mr Konstantin Kagalovsky, Russia's representative in talks with the International Monetary Fund, said that from August 1, the government intends to introduce what he described as a fixed rate – which he hoped would emerge at Rbs80 a dollar compared to its present rate of around Rbs140.

However, the currency would be allowed to fluctuate within a wide band – 7.5 per cent up or down from that fixed central rate with the help of a proposed $6bn stabilisation fund from the West.

The plan to make the rouble convertible is a vital part of integrating Russia into the market-based economic system of the industrialised world.

A convertible rouble would expose Russian businesses to competitive forces from abroad and should encourage foreign investment in Russia's struggling economy.

The rouble, which was legal tender in the territory of the former Soviet Union, has not been fully convertible on world markets since the Russian revolution.

But since the start of the year many banks and companies have been allowed to buy and sell the currency within the country at small-scale trading sessions organised by the central bank.

The stated goal of the Russian authorities is to make the rouble tradable on current account and to allow foreign investors in Russia to repatriate profits.

Arrangements on capital account transactions, however, are still unclear.

Western experts warned that it was probably too early to say either how exactly or when the stabilisation fund would be used. Several issues, as Russian officials admitted, have yet to be settled.

These range from controlling monetary policy of other republics which would be part of a rouble zone – an issue which will be discussed at a meeting of central bank chairmen of former Soviet republics in mid-May – to liberalising the domestic price of oil.

Both are seen by the IMF as preconditions for introducing current account convertibility with the cash pledged by western governments when Russia joined the Fund last month.

The government plans to abolish from July 1 remaining quotas and licences on all exports except for energy, arms and areas such as textiles on which foreign countries had import restrictions.

Mr Kagalovsky declined to set a date for liberalising the price of oil paid by domestic users, contenting himself with saying that "the upper limits" set on its price by the government were "not eternal".

One western official said it could take three or four months for the stabilisation fund promised by western governments to be implemented once the rouble had been floated. This was because it would take more than a month for it to find a rate at which it could be stabilised.

"Any discussion about the (exchange) rate today is largely irrelevant because we don't know what inflation prospects are," the official said. "Let's do the painful adjustment first – such as freeing the price of oil, stabilising the inflation rate, and then let's see what exchange rate stabilises."

Mr Kagalovsky reiterated the prerequisites for convertibility – a tough credit and monetary policy, positive real interest rates (Russian interest rates are now lower than inflation), and cutting the budget deficit (the government's target is for it to reach 5 per cent of gross national product by the end of this year compared to 20 per cent last year).

Mr Kagalovsky said a single exchange rate also meant that there would be no special investment rate for foreigners to buy shares in privatised Russian companies.

Reuter reports from Washington: US Federal Reserve Governor Wayne Angell said he was pessimistic that the rouble stabilisation fund to be established by western governments would work and said it could become a "bottomless pit."

In a speech to the National Economists Club, Angell said it was very difficult to stabilise one currency against other currencies without totally devoting monetary policy to that purpose.

Waigel attacks budget deficit

By Quentin Peel in Bonn

MR THEO WAIGEL, the German finance minister, yesterday called for new limits on unemployment benefits and cancellation of all subsidies next year for the Federal Labour Office, in a drive to reduce the state budget deficit.

His move was immediately condemned as "antisocial" by the German trade union federation.

The drastic measure, amounting to a cut of DM5bn ($3bn) in comparison with the current year, was the only substantial saving proposed by the finance minister in a gloomy review of the state's spending programme for the next four years.

Instead he insisted that any new projects – including reform of the railways, old age care, and new family and housing allowances – must be self-financing in the coming years. He said a promised reform of corporate taxation must be neutral in its effect on the budget, and that all public spending would be kept to a maximum 3 per cent growth rate until 1996.

He failed to answer fears that the costs of subsidising and rebuilding east Germany would lead to a steadily rising budget deficit, but simply insisted that the present medium-term financial strategy must be and would be maintained. That calls for a cut in the budget deficit from around DM45bn this year to just DM25bn in 1995.

His presentation to the parliamentary groups of the ruling coalition parties suggested there will be little if any new cash in the public sector pay offer expected today for striking public sector workers.

The unions yesterday responded to the approaching talks by bringing out more than 330,000 workers in the biggest show of force of their nine-day national strike and closing Frankfurt airport, continental Europe's busiest, for the day.

All flights were cancelled yesterday at Frankfurt airport, the busiest in mainland Europe, as German strikes spread. Page 2

The 3 per cent limit on spending for the public sector – and 2.5 per cent for the central government – is only half the expected nominal growth rate over the next four years. To be observed it will inevitably mean spending cuts by labour-intensive local authorities.

The Federal Labour Office is responsible for all unemployment benefits in Germany, as well as training and job-creation schemes which have been critical to the maintenance of income levels in the collapsed east German economy. This year's federal subsidy amounted to DM5bn, Mr Waigel said. Unofficial estimates suggested that up to DM6bn would be needed in 1993, without substantial savings.

Mr Waigel rejected suggestions, from Germany's economic institutes and from Mr Jürgen Möllemann, the economics minister, that he was underestimating the real strains on his budget.

At the same time he called for "iron savings" to reduce the budget deficit, admitting the pressures from the "national and international financial markets for our contribution to a fall in interest rates".

Unions dig in, Page 2

O&Y to aid cash shortage by sale of Santa Fe stake

By Bernard Simon in Toronto and Robert Peston in London

OLYMPIA & YORK, the troubled property developer, yesterday unveiled plans to alleviate its cash shortage by selling its 18 per cent stake in Santa Fe Pacific, the Chicago-based railway, mining and pipeline group, for an estimated $400m.

O&Y announced its plans for a public offering of Santa Fe shares while 11 banks were meeting in London to decide whether to put the company's UK subsidiary, O&Y Canary Wharf Holdings, into administration under British insolvency procedures.

The alternative to administration is a proposal, backed by the UK banks Lloyds and Barclays, for the banks to lend £30m ($53m) to allow work to continue over the coming month at O&Y's property development at Canary Wharf in London's docklands.

The banks were still meeting yesterday evening.

In a separate development, O&Y said it had called a meeting for tomorrow with representatives of its 15 largest creditor banks to outline long-term plans to restructure its $12bn debt. At this meeting, to be held in London, O&Y will for the first time present a five-year business plan.

The Santa Fe sale, which is likely to raise about $400m, is meant as a signal to O&Y's banks that it is willing to make some sacrifices in its debt restructuring by selling assets.

O&Y also disclosed that, besides the collapse of two Canadian commercial paper programmes totalling C$800m (US$672m) it has withdrawn plans for four real estate financings this year totalling US$1.4bn.

As a result, the company said it would not pay interest totalling C$17m on publicly traded bonds secured by First Canadian Place, its 72-storey flagship building in downtown Toronto. The interest payments were due on Monday.

Trust indentures on several of the North American buildings, including First Canadian Place, require O&Y to reserve rental income for running expenses and debt-service payments.

The company said it was preparing proposals for the First Canadian Place bondholders which "it hopes will be satisfactory" to them and to their trustee.

O&Y has also failed to make a smaller interest payment due on floating rate notes secured by three Manhattan office buildings. A $6m payment was made in April, several weeks after O&Y's liquidity crisis first surfaced.

O&Y debt plan, Page 25

UK cuts rates to four-year low

By Peter Marsh, Economics Staff, in London

THE UK government yesterday cut interest rates to their lowest level for four years in an effort to help fragile signs of recovery.

Commercial bank base rates fell from 10.5 per cent to 10 per cent – the first fall since September – after the Bank of England reduced its short-term money market rates. The cut reduced the margin between UK and German borrowing rates to the narrowest for 11 years.

Mr Norman Lamont, chancellor of the exchequer, said the cut was good news for the economy and that Britain was "well placed" for recovery.

Sir John Banham, director-general of the Confederation of British Industry, said, however, that, while the cut would "provide a useful boost to business confidence", high real interest rates were damaging prospects for many companies, particularly manufacturers.

On currency markets the pound weathered some selling pressure against a stronger D-Mark, closing in London half a pfennig down at DM2.925 and within 3 pfennigs of sterling's central DM2.95 rate in the European exchange rate mechanism.

The rate cut – which Mr Lamont signalled last week via Bank of England money market operations – brought UK base rates to within a quarter of a point of the comparable German Lombard rate of 9.75 per cent.

That underlines the UK's gamble that the Bundesbank council – which meets tomorrow – will refrain from increasing its own rates in the next few months.

Any such move could strain the pound within the ERM. The UK Treasury and central bank are believed to have been confident enough that the pound will retain its recent strength to have found the risk worth taking.

Even so, the threat that the Bundesbank may increase rates – or at least not bring them down quickly – in an effort to damp German inflation is expected to make the latest UK base rate cut the last for some months.

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FINANCIAL TIMES © No 31,751 Week No 19 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: EUROPE

Public sector strike spreads ahead of talks

German unions dig in

By Christopher Parkes in Bonn

GERMAN public sector unions yesterday responded to the prospect of peace with the greatest show of force so far in their nine-day national strike over pay.

More than 330,000 workers were called out as negotiators prepared for today's resumption of talks.

"The strike has worked," claimed Ms Monika Wulf-Mathies, president of the ÖTV union. "The employers have returned to the negotiating table on our terms."

Yesterday's promise from Mr Rudolf Seiters, interior minister and chief negotiator for the employers, to improve his previous "final" offer of a 4.8 per cent increase at today's talks was greeted with guarded optimism in most quarters. He is under orders from Chancellor Helmut Kohl not to send the wrong signals to other, private sector unions still negotiating.

Ms Wulf-Mathies warned again that the stoppages would continue until an acceptable result was achieved. Any deal must be approved by a 50 per cent "yes" vote in a national ballot.

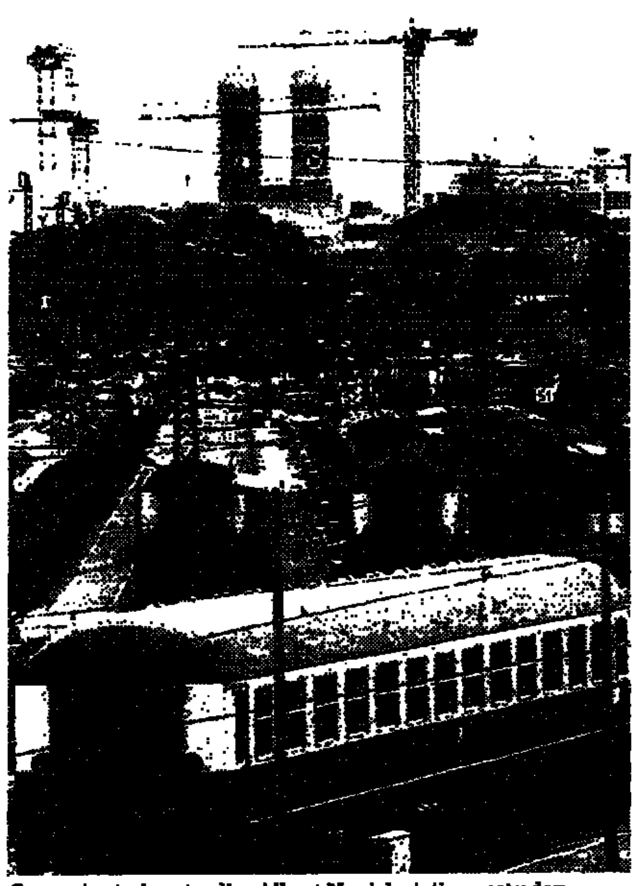
Engineering employers, meanwhile, threatened to lock out workers staging further "warning" strikes in support of their 9.5 per cent pay claim. The fourth round of talks for the country's 4m engineers broke down without result yesterday and without any advance on the employers' opening 3.3 per cent offer. About 45,000 workers – 30,000 in Bavaria alone – joined in warning strikes.

Negotiations in the printing industry were formally broken off and token stoppages started immediately. With 50,000 more members on strike than yesterday, the public sector unions brought Frankfurt airport, which normally handles about 100,000 passengers a day, to a complete stop. More than 950 flights were cancelled after fire service workers walked out.

While the airport lost an estimated DM5m in landing and take-off charges, the Lufthansa airline said it planned to sue for losses of up to DM40m. Airline officials said US airforce personnel should have been drafted in to cover.

Hundreds of buses queued at Düsseldorf airport to carry an estimated 8,000 package holiday trippers to waiting aircraft across the border in Brussels, Maastricht and Amsterdam.

The ÖTV said last night that the strike would be lifted at Frankfurt today, although action would continue at Berlin and Düsseldorf.



Commuter trains standing idle at Munich station yesterday

Opel to cut about 6,000 jobs

By Andrew Fisher in Frankfurt

OPEL, the German subsidiary of General Motors of the US, plans to cut the production workforce at its main plant by around a third over the next five years in order to combat high costs and remain competitive.

GM said that it could now assemble some of its cars more cheaply in the UK than in Germany.

Opel said it intended to reduce the 18,000-strong car production workforce in Rüsselsheim near Frankfurt by some 6,000 people. The cuts of 1,200 a year would be achieved without redundancies, Mr Louis Hughes, the chief executive, said.

Opel, highly profitable in recent years, is the latest German producer to announce job cuts. Its main domestic rival, Volkswagen, has planned reductions of 12,500 people over the same period. Mercedes-Benz is considering reductions of 20,000 people in the next few years. BMW is shedding around 3,000 people in 1992.

Opel said its mid-range Opel Vectra model cost DM750 (£260) more to produce in Rüsselsheim than in the UK, where it is also assembled at GM's Vauxhall assembly plant at Luton, Bedfordshire. (The car is sold as the Opel Vectra in continental Europe and as the Vauxhall Cavalier in the UK). Opel said that compared with a comparable model from Japan, the cost of the German-produced Opel Vectra was DM2,500 higher, though the Japanese figure included total production costs against assembly costs only for the German plants.

Bavarian caught in a storm

Quentin Peel asks why Finance Minister Waigel is refusing to panic

SPARE A thought for Mr Theo Waigel, the bluff and cheerful Bavarian who has the thankless task of steering Germany's federal budget through the stormy costs of reunification.

Since he took over the job just three years ago, he has seen a nice tight budgetary ship of state, actually enjoying a marginal surplus, buffeted into a painful deficit which is variously estimated at anything from 3.5 per cent to 6.0 per cent of gross domestic product.

He admits the situation is uncomfortable, and calls for "iron savings", but he refuses to overreact to the more dire prognoses of deepening structural deficit in the German economy, threatening to drag down the entire European economy into a vicious high interest rate-slow growth spiral.

In the past 10 days, however, he has come under attack not only from his colleagues in the Group of Seven (G7) industrialised states, led by the US, but also from within his own government. Mr Jürgen Möllemann, the economics minister, the respected independent economic institute Ifo and the opposition Social Democrats are all questioning his assumptions, and therefore questioning his refusal to panic.

There are two lines of argument behind the criticism. One is that Mr Waigel and his Finance Ministry fail to include all public borrowing needs in their calculations, in particular the costs of the Treuhand privatisation agency in east Germany, the funds set up to service the inherited debts of the East German state, the German Unity Fund to subsidise the new federal states, as well as the additional spending taken on by the German railways and telecommunications for the east.

The other argument is that his calculations of future costs are based on over-optimistic assumptions about compensation payments for environmental damage, for example, and modernisation of the east German housing stock.

The criticisms also cite a failure to provide adequately for other outlays: rising bad debts on trade with eastern Europe and the former Soviet Union, the need for more cash for east European economic stabilisation, and the demands for significant increases in the European Community budget.

The most embarrassing leak came from the Economics Ministry last week. A much more gloomy forecast of future costs of unification suggested that without drastic cuts, the federal budget deficit alone would not be halved by 1995, from around DM50bn (£17bn) to DM25bn, but would actually rise to DM55bn.

Mr Möllemann took as his starting point Mr Waigel's medium-term financial plan for the federal budget (excluding states and local authorities) to 1995, agreed last year, which aimed at an annual increase in spending of just 2.3 per cent, against an income growth of 5.4 per cent per year.

First he questioned the underlying economic growth rate assumption: a real 2.5 to 3.0 per cent per year on average for 1991-95.

In actual fact the 1992 growth rate is only expected to reach 1.5 per cent for west Germany (2.0 per cent including the east) on the basis of relatively optimistic assumptions: a successful conclusion of the Gatt negotiations, and moderation in the national wage negotiations, as well as international economic recovery.

He calculated that after the tax package negotiated in February between the federal government and the German states, the federal deficit would deteriorate appreciably (example B in table). Then he proceeded to list the "additional substantial risks, which are both difficult to quantify and to fix in any clear time-frame".

They include:

- New rules for compensation and indemnity yet to be agreed (original proposal for a fund authorised to borrow up to DM10bn);
- Environmental costs beyond the financial capacity of the eastern states.
- Additional cash for housing modernisation and rebuilding;
- Export credit guarantee bad debts, costing an extra DM1bn in this year's supplementary budget, and "showing a rising tendency, especially for the Commonwealth of Independent States."
- Costs of the Delors-II EC budget proposals, estimated by the Economics Ministry at an additional DM1.5bn in 1993, DM2.8bn in 1994, DM4.4bn in 1995;
- follow-up costs from the liquidation of the Treuhand at the end of 1994, with estimated debts of around DM250bn – from 1995 an additional debt service cost estimated at around DM10bn.

All of which estimated as conservatively as possible in Mr Möllemann's ministry would more than double the 1995 federal budget deficit from DM25bn to DM55bn.

The conclusion of the paper is that spending growth will rise by 3.7 per cent a year to 1995, instead of 2.3 per cent as planned.

Debt service costs could total DM74bn that year, or 15.7 per cent of spending, rather than the planned DM46.4bn, or just 11 per cent.

When the spending of the states and the local authorities is included, this scenario puts the current deficit in 1995 at 3.2 per cent of GDP instead of the planned 2.5 per cent – outside the qualification criteria for Germany to join the European monetary union.

Overall public sector debt would total 55.3 per cent of GNP, against an Emu ceiling of 60 per cent – just inside, but potentially "critical".

The Social Democrats have been scathing about Mr Möllemann's figures, but only because they say he is a "slow learner": the opposition suggested such potential extra burdens nine months ago.

Now the worthy Ifo institute has weighed into the debate, also questioning Mr Waigel's assumptions.

Its calculations suggest that if all sources of public borrowing are included, then overall public sector debt will rise from the DM1,170bn at the end of 1991 – 41.7 per cent of GNP – by some 70 per cent to around DM2,000bn by the end of 1995: coming to the same conclusion as the Economics Ministry, or 55 per cent of GNP.

Ifo is nevertheless confident of one thing to give Mr Waigel a little relief: by the year 2000 overall debt burden of the German public sector may have risen to DM2,500bn, but the proportion will be down to 50 per cent of GNP.

With the current deficit forecast for the end of the century back below 2 per cent of GDP, the qualifications for Emu should be fulfilled – *then*.

FEDERAL GOVERNMENT NET BORROWING REQUIREMENT 1992-95

	1992	1993	1994	1995
A				
Expenditure	422.6	428.5	438.8	449.2
Income	372.7	383.4	408.6	424.1
Net borrowing requirement	49.9	45.1	30.2	25.1
B				
Expenditure	424.1	434.1	446.8	449.2
Income	372.4	381.9	407.1	419.1
Net borrowing requirement	51.7	52.2	39.7	30.1
C				
Net borrowing requirement	52.0	62.0	55.0	55.0

A figures are the federal government's medium-term financial plan statistics, keeping expenditure growth to 2.3 per cent p.a. in order to halve the net borrowing requirement by 1995.
B figures are recalculated by Economics Ministry to allow for tax reform compromise between the federal government and the states, negotiated in February.
C figures are estimates by Economics Ministry of net borrowing requirement based on "realistic" assessment of potential extra costs of unification, hitherto not included by Finance Ministry.

LEGAL NOTICES

Registered in England and Wales
604 BUILDING SUPPLIES LIMITED
- Company Number 1929586
MILLER & SONS (WISBECH) LIMITED
- Company Number 190153
ROY STARTIN LIMITED
- Company Number 588260
604 BUILDING SUPPLIES(MIDLANDS) LIMITED
- Company Number 2240130
All in Administrative Receivership
Principal place of business: 20 Bridge Street, Thrapston, Northamptonshire.
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named group of companies will be held at the offices of Cork Gully, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes, MK9 2DF on Wednesday 13 May 1992 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:-
(a) they have delivered to me at the address shown below, no later than noon on Tuesday 12 May 1992, written details of the debts they claim to be due to them from the Company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
27 April 1992. Signed: N R B Golden, Cork Gully, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes MK9 2DF.

Notice of Creditors' meeting under section 48(2) of the Insolvency Act 1986
Company No: 1811243 Registered in England
BICNEZE SERVICES LIMITED
(formerly Cibenze Services Limited (In Receivership))
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above company will be held at the offices of Cork Gully, Shelley House, 3 Noble Street,London EC2V 7DQ on 21 May 1992 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors committees by or under the Act.
Creditors are only entitled to vote if;
(a) they have delivered to us at the address shown above, no later than noon on 20 May 1992 written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Date: 29 April 1992. I D B Bond, C J Hughes, Joint Administrative Receivers
Note: Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at the address shown above.

Notice of appointment of joint administrators
ALINHURST LIMITED
Registered number:2191946. Trading names: New York New York, Liberty's, Sam's, Rumours, Coast to Coast, The Millionaire, J Jays, The Old Oriental, Hickory's, The Folly Inn, The Park. Nature of business: Nightclub and Public House Operators. Trade classification: 48. Date of appointment of joint administrators: 24 april 1992.
DAVID R WILTON and JOHN COLIN MANNIN BISHOP Joint Administrators (Office holder nos 5708 and 20) Cork Gully, 43 Temple Row, Birmingham, B2 5JT.

Company Number 1856908. Registered in England and Wales
THORNWOOD ENGINEERING LIMITED - IN ADMINISTRATIVE RECEIVERSHIP
Principle place of business: Unit 3, The Fairway, Bush Fair, Harlow, Essex
NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the insolvency act 1986, that a meeting of the unsecured creditors of the above named company will be held at the offices of Cork Gully, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes, MK9 2DF of Friday 8 May 1992 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:
(a) they have delivered to me at the address shown below, no later than noon on Thursday 7 May 1992, written details of the debts they claim to be due to them from the Company, and the claim has been duly admitted under the provisions of rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Signed: K R Morgan, 23 April 1992. For R M Addy Cork Gully Central Business Exchange Midsummer Boulevard Central Milton Keynes

Company No: 2299369
Registered in England and Wales
INSOLVENCY ACT 1986
Resolutions of
PARKBERRY LIMITED
PASSED 6 April 1992
At an extraordinary general meeting of the above named company duly convened and held at Haydock Park Racecourse Conference Centre, Haydock Park Racecourse, Newton-Le-Williams, Merseyside WA12 OKQ, on 6 April 1992 the following resolutions were passed: No 1 as an extraordinary resolution and No2 as an ordinary resolution.
1. That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.
2. THAT John Frederick Powell and Mark Palios, of Cork Gully, 43 Temple Row, Birmingham, B2 5JT be and is hereby appointed liquidator of the company.
Dated - 6 April 1992
Barry Green - Chairman
At a meeting of creditors held on 6 April 1992 the creditors confirmed the appointment of J F Powell and M Palios as joint liquidator.

Company No: 2290593 Registered in England and Wales.
Insolvency Act 1986.
Resolutions of
TEMPLEMAN SHOPFITTERS LIMITED.
Passed 6 April 1992
At an extraordinary general meeting of the above named company duly convened and held at Haydock Park Racecourse Conference Centre, Haydock Park Racecourse, Newton-Le-Willows, on 6 April 1992 the following resolutions were passed: No 1 as an extraordinary resolution and No 2 an an ordinary resolution:
1 That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its businesses and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.
2 THAT John Federick Powell and Mark Palios, of Cork Gully, 43 Temple Row, Birmingham B2 5JT be and are hereby appointed joint liquidators of the company.
Dated - 6 April 1992.
Barry Green - Chairman,
At a meeting of creditors held on 6 April 1992 the creditors confirmed the appointment of J F Powell and M Palios as joint liquidators.
Dated - 6 April 1992.
Barry Green - Chairman.

Notice of Creditors' Meeting under Section 48(2) of the Insolvency Act 1986.
Company No: 1849892. Registered in England and Wales
CIBENZE GROUP PLC
(IN RECEIVERSHIP)
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at the offices of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ on 21 May 1992 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors committees by or under the Act. Creditors are only entitled to vote if;
(a) they have delivered to us at the address shown above, no later than noon on 20 May 1992 written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditor must be loged at the address mentioned; photocopies (including faxed copies) are not acceptable.
Date: 29 April 1992.
I D B Bond, C J Hughes Joint Administrative Receivers
Note: Creditors may obtain a copy of the report, free of charge, on application to the administrative receivers at the address shown above.

Company No: 2340560
Registered in England and Wales
INSOLVENCY ACT 1986
Resolutions of
RONFARM LIMITED
PASSED 6 April 1992
At an extraordinary general meeting of the above named company duly convened and held at Haydock Park Racecourse Conference Centre, Haydock Park Racecourse, Newton-Le-Willows, Merseyside LA12 0HO, on 6 April 1992 the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution.
1. That it has been proved to the satisfaction f this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.
2. THAT John Frederick Powell and Mark Palios, of Cork Gully 43 Temple Row, Birmingham B2 5JT be and are hereby appointed joint liquidators of the company.
Dated: 6 April 1992.
Barry Green, Chairman.
At a meeting of creditors held on the creditors confirmed the appointment of J F Powell and Mark Palios as joint liquidators.
Barry Green, Chairman.

Company No. 2272249 Registered in England and Wales.
Insolvency Act 1986.
Resolutions of
W.E.D NORTH & SONS LIMITED
Passed 6 April 1992
At an extraordinary general meeting of the above named company duly convened and held at Haydock Park Racecourse Conference Centre, Haydock Park Racecourse, Newton-Le-Willows WA12 0 HQ, on 6 April 1992 the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution:
1 That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.
2 THAT John Federick Powell and Mark Palios, of Cork Gully, 43 Temple Row, Birmingham, B2 5JT be and are hereby appointed joint liquidators of the company.
Dated 6 April 1992. Barry Green - Chairman
At a meeting of creditors held on 6 April 1992 the creditors confirmed the appointment of J F Powell and M Palios as Joint liquidators.
Dated 6 April 1992. Barry Green - Chairman

UN armoured cars sent to pick up Mr Marrack Goulding race through Sarajevo after coming under heavy fire

Goulding reaches Sarajevo after being trapped at military base

UN envoy delayed by snipers

By Laura Silber in Belgrade

UNITED NATIONS special envoy Marrack Goulding reached Sarajevo, capital of Bosnia-Hercegovina, yesterday after after sniper fire in surrounding hills had stranded him for several hours at a helicopter base outside the city.

He was escorted into Sarajevo by General Satish Nambiar, commander of UN peace-keeping forces, who had driven out to try to escort him into the city for talks with President Alija Izetbegovic.

Mr Goulding's mission to assess the feasibility of sending a peace-keeping force to the republic coincided with an ultimatum from the largely Moslem Bosnian militias to the Yugoslav federal army to withdraw from the capital by midnight tonight. The ultimatum was issued after European Community monitors appeared to have failed to arrange a meeting between army and Bosnian leaders.

The continuing violence forced 25 monitors to withdraw from Sarajevo, leaving a nine-member crew, including Mr Colm Doyle, an Irish army major and the special envoy of Lord Carrington, chairman of the EC conference on Yugoslavia. Mr Doyle called the army's bombardment of Sarajevo "totally unacceptable".

Stepping up the mutual recriminations, the Bosnian Defence Force accused the army of "unleashing a merciless bombardment" from its barracks in the city, and from the military hospital. The army retorted that the barracks were under siege by Bosnian forces.

In an apparent effort to stave off international criticism, the presidency of the new Serb-dominated Yugoslavia ordered its citizens – Serb and Montenegrin soldiers and officers – to withdraw from Bosnia within 15 days. However, the call was rhetorical since more than 80 per cent of 80,000 federal soldiers stationed in Bosnia are Bosnian Serbs.

In Sarajevo, palls of smoke streamed out of buildings set ablaze during 22 hours of continuing shelling by the federal army. Sarajevo radio said the streets were littered with corpses but casualty figures could not be confirmed. Fighting was also reported in other parts of the republic.

The Moslems are backed by Croats who have joined forces against the Serbs and the federal army in a battle for control of strategic parts of Sarajevo. But the Moslem-Croat coalition which supports Bosnian independence looks fragile. Serb leaders hinted yesterday that Serbia and Croatia could reach agreement on dividing Bosnia-Hercegovina, leaving Moslems without a homeland.

Mr Tomislav Sipovac, a member of the government of the self-proclaimed Serb republic of Bosnia, which does not want to belong to an independent Bosnia, was quoted by Tanjug as saying: "There is very little difference between the Croat and Serb positions.... We can very quickly make an agreement.... because we have no territorial disputes."

Mr Franjo Tudjman, president of Croatia, was quoted in Polityka, the Serbian daily, as saying Bosnia could survive as an independent state only if the republic was divided on a confederal basis into three ethnic units.

Hungary eases sale of state companies

By Nicholas Denton in Budapest

HUNGARY yesterday launched a scheme giving consultants free rein to sell medium-sized state companies.

Under the "simplified privatisation" plan, the state is devolving to private consultanting firms responsibility for 278 of the country's 2,000 state companies, with an estimated total book value of Ft70bn (£493m).

Each company will have to choose a consultant from a list of about 130 which will then privatise the company as it sees fit.

The fees – a percentage of the sale price on success – are structured to give incentives to achieve rapid and fully-priced sales and as a deterrent against corruption.

The scheme, announced by Mr Tamas Szabo, privatisation minister, came after the success of 437 trial privatisations of the smallest state enterprises.

The authorities say the method will become the main vehicle of Hungarian privatisation as ever larger state companies are included.

Simplified privatisation comes in reaction to the failure of centralised programmes, which have been crippled by lack of staff, political infighting and government inflexibility.

The flagship "First Privatisation Programme", launched in 1990 to sell 20 of Hungary's most attractive companies, has run into the ground and only two significant transactions have been concluded.

Crimea raises tension with independence declaration

By Chrystia Freeland in Simferopol, Crimea

THE parliament of Crimea yesterday declared independence in a move which is expected further to inflame the dispute between Ukraine and Russia over who should have control over the peninsular and the Black sea fleet which is based there.

Crimea's declaration of independence from Ukraine does not mention Russia, but leading separatist politicians do not conceal their hope that the Crimea, which has a 60 per cent ethnic Russian population and only became part of Ukraine in 1954, will eventually join Russia.

Hundreds of jubilant demonstrators ringing the parliament cheered and waved the Russian flag when a majority of Crimean deputies backed the declaration, which will come into force if confirmed by a referendum scheduled for August 2.

The struggle between Ukraine and Russia over the Black Sea Fleet has been a proxy for conflicting claims to the picturesque peninsula which was annexed to the Russian empire by Catherine the Great but used to be home to hundreds of thousands of Crimean Tatars. More than 200,000 were exiled by Stalin in 1944 but many are now moving back to find that their old homes and land have been taken over by Russians and Ukrainians who have dotted the coastline with dachas and retirement homes.

"For Crimea, this means difficult days ahead," said Mr Nikolai Bagrov, chairman of the Crimean parliament. Exhausted by the day's passionate and anarchic debate, Mr Bagrov acknowledged that the decision could lead to "a sharpening" of the Ukrainian-Russian conflict.

The declaration's announcement of "the creation of a sovereign state, the republic of Crimea" is intentionally open to various interpretations. Deputies chose the weaker of two words meaning "independence", which can be translated as "self-determination", and voted to begin negotiating with Ukraine immediately.

The referendum could thus be the first step towards eventual reunification with Russia or simply a bargaining chip to wrest greater autonomy from Ukraine. Whatever the interpretation, it is a defeat for the Ukrainian government which sought to forestall a referendum by offering Crimea extensive autonomy. Crimean MPs were not appeased and many said they feared the Ukrainian government intended to discriminate against Russians.

Mr Volodymyr Filenko, a member of a Ukrainian parliamentary delegation which observed the debate, said one possible response from the Ukrainian government would be to dissolve the Crimean parliament. The Crimean decision is likely to hasten the Russian parliament's plan to consider the legality of the transfer of Crimea to Ukraine, a move Ukrainian politicians have said they would view as tantamount to a declaration of war.

Five killed in Tajik clashes

PRO-GOVERNMENT and opposition militia clashed in the former Soviet republic of Tajikistan yesterday. The opposition said at least five people had been shot dead, Reuter reports from Dushanbe.

Forces supporting the conservative government fired on opposition guardsmen at a checkpoint in the Leninsky district, about 12 miles outside the capital. A Reuter correspondent saw the corpses of two young men lying in the city's main mosque.

A foreign ministry spokesman said opposition activists had fired on a pro-government rally late in the afternoon, killing one demonstrator. Opposition militiamen said at least two other corpses had been taken to hospital.

Moslem and liberal opponents of the conservative government have been demonstrating for five weeks in different parts of Dushanbe.

But yesterday's shooting, amid pouring rain in and near the capital, was the first serious violence in what has largely been a standoff.

Opposition groups demanded, and secured, several concessions, including the resignation of the parliamentary chairman, Mr Safarali Kenjayev, seen as the power behind President Rakhmon Nabiyev's leadership. But he was appointed to the post of security chief last week, sparking fresh protests, and was given back his job of chairman at the weekend, enraging anti-government protesters.

Swiss wonder if it's safe to get into the water

Some see IMF and World Bank entry as little more than leaping in with the sharks, writes Ian Rodger

EVERY FEW months, an orderly row of campaign posters appears in the main squares of Swiss towns and cities signalling the start of campaigning for another round of plebiscites.

Among those erected last week in preparation for votes on May 17, one stands out from 100 paces. It features the unmistakable and terrifying image of a shark's open mouth. "Down with the murderous tactics of the finance sharks," screams the slogan beside the great beast. The reference, it turns out, is to the International Monetary Fund and the World Bank.

Opposition to Switzerland joining those institutions is strongly felt, it seems. And, by all accounts, the referendum result will be a close one, with the odds slightly in favour of rejection. This would be a serious blow for the government in view of other plebiscites due in the next few months on whether Switzerland should move towards joining the European Community.

The campaign is also remarkable for bringing together the most unlikely bedfellows – left-wingers and Greens who feel IMF and World Bank policies towards third world countries are too brutal, and conservatives who think Fund membership fees are a waste of money.

"The IMF is interested only in keeping third world countries stable so they can pay back their huge debts to the west," says Mr Roland Brunner, a member of the left-Green action committee opposing membership. "There is no advantage for the third world in the way the IMF works, lending them money to pay interest on the excessive debts they already have."

On the right of the political spectrum, there is no complaint about IMF policies. The issue is a more practical one. "The cost of joining is money thrown out of the window," says Mr Jürg Scherrer, president of the Automobile Party, a fringe group known mainly for wanting fewer controls on cars and more on immigrants.

"At the moment, we are participants in the IMF's projects when we choose to be," he says. "We can look at each project on a case-by-case basis. If we were a member, we would have only one vote and it would make no difference."

Mr Scherrer recoils at the suggestion that he is in league with the left in this battle. "We are certainly not collaborating with the Green party on this. Our reasons for opposing membership are totally different from theirs."

The federal government, which strongly favours joining the IMF and World Bank, has pulled out all the stops in advocating its case. In late March, it trotted out the foreign, finance and economics ministers, and the central bank president, to emphasise the importance of Switzerland playing a full role in international institutions.

Mr René Felber, foreign minister, said Switzerland's observer status at the IMF and the World Bank was proving more and more inadequate and would become increasingly meaningless.

The president of the Swiss National Bank, Mr Markus Lusser, said IMF membership would cost only about SFr40m (£14.8m) a year in the interest revenue that Switzerland would lose by having to deposit money with the fund at below market rates. "We are one of the world's richest countries," he said. "This good fortune makes us duty bound to help other countries."

Mr Otto Stich, finance minister, rejected arguments that the tough conditions the IMF attached to its aid to developing countries hurt the poorer sections of their populations. "The IMF is not the cause of such circumstances. It is called in as an emergency doctor," he said.

While all four parties in the governing coalition officially support the government's stance, there are mavericks, the most important of whom is Mr Christoph Blocher. Charismatic leader of the conservative Swiss People's Party in the Zurich canton, Mr Blocher shares the views of the Automobile Party, and has nothing but disdain for federal officials' desire to join. "They just want to be members of the club."

Both sides admit the result of the voting is uncertain. Mr Scherrer recalled that the voters had turned down a proposal to join the United Nations as recently as 1986. He also pointed to the over-stretched federal budget.

A leading Zurich banker said the decisive factor would probably be the traditional reluctance of Swiss voters to approve any spending for which they could not see concrete results.

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NEWS: EUROPE

EC agrees joint strategy for Rio Earth Summit

By David Gardner in Brussels

THE European Community yesterday agreed to commit itself to a near doubling of development aid to the third world, but it still can not agree on the timing.

Environment and development ministers of the 12 also agreed a joint strategy to present to next month's Earth Summit in Rio de Janeiro. This would be fed into the Convention on Climate Change and has included in it the possibility of an energy tax to combat carbon dioxide emissions.

However, Mr Carlo Ripa di Meana, EC environment commissioner, denounced the latest draft of the UN-sponsored compromise on the global warming convention as "a sell-out" designed to accommodate the US, which is reluctant to commit itself to emission reduction targets.

The EC has agreed to stabilise CO_2 emissions at 1990 levels by the year 2000, and the Commission is expected next week to approve a mixed carbon-energy tax of up to the equivalent of $10 (£5.60) on a barrel of oil.

It hopes the 12 will back the tax in principle just before the Rio summit, although it recognises that many member states would be unwilling to risk damaging the competitive position of their industry unless the US and Japan were willing to use similar instruments to reduce emissions.

The Commission also wants to swing the EC behind an Argentine and Brazilian proposal for a global carbon tax equivalent to $1 per barrel of oil, the proceeds of which would go to developing countries to help them install energy-efficient and environmentally friendly technology.

Only France, the Netherlands, Denmark and Italy were yesterday prepared to commit themselves to reaching the agreed aid target, of 0.7 per cent of gross national product, by the year 2000, the emissions stabilisation target date. The UK, Germany and Belgium wanted a less-binding "as soon as possible" target, while Spain, Ireland and Greece shied away even from this. A joint position is expected to be agreed either by finance ministers on May 19, or when environment ministers next meet, on May 26.

World Bank figures for 1989 show average EC official development aid totalling 0.43 per cent of GNP, against 0.32 per cent for Japan and 0.15 per cent from the US. The UK's effort was 0.31 per cent of GNP.

Neither the US nor Japan are prepared to make specific commitments to reaching the 0.7 per cent target – recommended more than a decade ago by the UN – by 2000. The UN believes that if all industrialised countries adopt the target, this will provide an extra $50bn for LDCs, in addition to the $55bn official aid now received.

The aid issue is linked to the climate convention's chances of success. As one UK official put it, the developing countries "want their quid for our quo," money and a firm commitment by the industrialised countries to reduce the more than three quarters of global CO_2 emissions they are responsible for.

Mr Ripa di Meana said the latest UN draft on the convention was "so full of loopholes" that it was "completely unacceptable". Asked whether flexibility was not an acceptable price to get the US on board, he forecast that the draft's enumeration of possible exemptions would "lead to a bitter North-South clash" at Rio.

Two more charged with corruption in Milan

By Robert Graham in Rome

TWO LEADING figures in the Italian construction industry were yesterday added to the lengthening list of those charged in connection with the two-month-old Milan corruption scandal.

Magistrates ordered the arrest on corruption charges of Mr Mario Lodigiani, vice-president of the construction company of the same name, one of the country's best known, and Mr Roberto Schellino, formerly technical manager of Cogefar Impresit and chief executive of Iacorossi, a Milan general contractor.

Six prominent people involved with the Milan construction business have already been charged on various counts of corruption. The latest arrests confirm that Milan magistrates are beginning to allege a direct link between the large number of public works contracts awarded in the city over the past decade and an elaborate system of pay-offs also involving the funnelling of funds to political parties.

● Italy's overall balance of payments deteriorated sharply in the first quarter, according to official figures.

The L737bn deficit compares with a L7,778bn surplus during the same period last year. The deficit has been blamed on a big rise in capital outflows and a decline in the level of inflows, especially in March, the month before the general election.

Bérégovoy rules out Maastricht rethink

By Ian Davidson in Paris

MR Pierre Bérégovoy, French prime minister, yesterday called for a "great movement of national agreement" as he opened the National Assembly debate on the ratification of the Maastricht treaty.

Amid catcalls from right-wing Gaullist members, he promised the government would be receptive to detailed amendments during this week's parliamentary debate. He said the National Assembly would in future be fully consulted throughout the transition towards economic and monetary union, scheduled towards the end of this decade.

But he made clear that there could be no question of renegotiating the Maastricht treaty, warning that if parliament seemed likely to obstruct the necessary constitutional revisions the president would put the revisions before the electorate in a referendum.

"If there is any risk that the reform might be buried," he said, "we shall go to a referendum. I should regret it; but if a referendum is necessary, neither the president nor the government fears the result of an appeal to the people".

Mr Bérégovoy rejected opposition arguments that the single European currency would mean the abandonment of French independence. On the contrary, he said, the EMU system would strengthen French influence over economic policy.

Mr Roland Dumas, the foreign minister, followed the prime minister at the rostrum of the National Assembly, with a strong plea for a more politically united Europe.

"The question is simple," he said. "Do we want a European foreign policy to be conceived and implemented in Nato? Or are the 12 big enough to harmonise their policies so as to stand as a great power? The answer is clear and obvious".

Brussels wins backing for seat on energy agency

By Andrew Hill in Luanda

THE European Community should have a full seat at the International Energy Agency (IEA), one of the agency's directors said yesterday.

The European Commission is attempting to persuade the 12 EC member states that it should be allowed to speak for them at the IEA, the Paris-based agency co-ordinating energy crisis management policy for OECD countries.

Mr Quincey Lumsden, IEA director responsible for oil market developments, told an oil and gas conference in Luanda, capital of Angola, he hoped the Community would have a seat in its own right, stressing this was a personal view. Commission officials said his comments would strengthen its hand in talks with EC members. If the 12 agree, accession to the IEA should be a formality.

NEWS: AMERICA

Bush to visit riot-torn Los Angeles

By George Graham in Washington

PRESIDENT George Bush will fly to Los Angeles today to visit the devastated South Central area where riots killed 58 people last week.

Mr Bush met cabinet advisers and congressional leaders yesterday to work out his administration's plans for rebuilding the shattered city, where he is expected to stay until Thursday night.

Los Angeles remained calm yesterday after three days and nights of burning and looting, and schools and businesses returned to near normality.

No serious incidents were reported on Monday night despite Mayor Tom Bradley's decision to lift the dusk to dawn curfew that he had imposed last Thursday. Soldiers in battle dress continued to patrol the streets, however.

Gun shops replaced video stores – which experienced peak demand during the curfew – as the most popular stores. But ammunition sales remain restricted in Los Angeles, and gun purchases in California are subject to a 15-day waiting period.

Police said many of those who took part in the pillaging of shops last week were now returning their booty or leaving it out on the street.

Cardinal Roger Mahoney's appeal for looters to return goods to Roman Catholic churches has found a strong response, and police indicated they were offering an informal amnesty to those who voluntarily returned their loot.

"If they tell us, they get a free ride. If we find them, they get arrested," said one police officer.

Arrests are limited, however, for the city's jails are already overflowing and its police courts working overtime to deal with the more than 9,000 people arrested during the rioting.

The costs of containing the rioting and cleaning up afterwards have put a new burden on the already strained finances of Californian state and city authorities.

Besides damage to its own property, the city of Los Angeles is estimated to face a bill of more than $12m (£6.7m) for police and firefighters' overtime pay. San Francisco and Berkeley city officials also said they faced extra costs.

The greatest cost, however, is likely to come in the shape of falling revenues from property taxes levied on the damaged areas.

State Senator Art Torres, who represents parts of Los Angeles, suggested a temporary increase in the state sales tax to raise about $750m and help pay for the cost of rebuilding.

Kohl warns there is no 'rational alternative to continuous support'

Appeal for more US aid to east

By Christopher Parkes in Bonn

CHANCELLOR Helmut Kohl of Germany yesterday made an impassioned appeal for more US help for the crumbling economies of eastern Europe and the former Soviet Union.

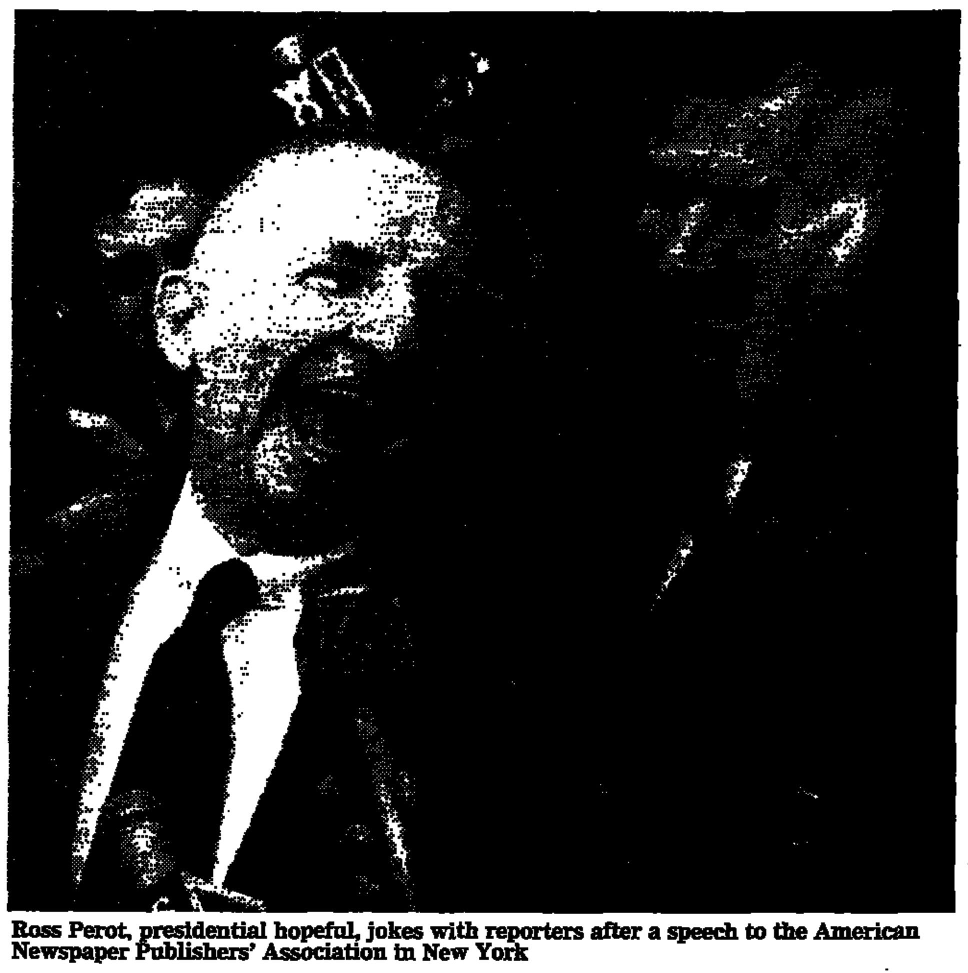
"If the new democracies are left to cope alone with their difficulties, then there could be a new flood of refugees to the west and other uncontrollable political developments," he warned in a speech prepared for the annual congress of the American Newspaper Publishers' Association in New York.

"The west has no choice. There is no rational alternative to comprehensive and continuous support," Mr Kohl added. Germany, meanwhile, was already committed to DM105bn (£35.7bn) in aid and had reached the limits of its ability to help.

The issue would be "right at the top" of his agenda at the Group of Seven world economic summit planned for Munich in July.

The chancellor, who will chair the summit, had been concerned that his plan to focus the meeting on what he considers Germany's greatest foreign policy issues would be marred by top-level wrangling over the General Agreement on Tariffs and Trade.

Now, he indicated, there was reason to hope the negotiations would be over by the end of June.



Ross Perot, presidential hopeful, jokes with reporters after a speech to the American Newspaper Publishers' Association in New York

The current situation in eastern Europe was comparable with the "great upheavals" which followed the First and Second World Wars, he said, pointing to the "dangerous expansionist tendencies" in countries like the former Yugoslavia.

By 1945 the US government had learnt from the mistakes of President Woodrow Wilson, who withdrew from Europe after the First World War.

America's success story in post-war Germany should now be a model for its policies towards former Cold War enemies in the east, the chancellor said.

"We Germans are experiencing in our country just how difficult the task is. In spite of enormous transfers to the former GDR the process of growing together is not progressing either as quickly or as free of friction as we would wish," Mr Kohl said.

George Graham adds: Mr Ross Perot, the Texas businessman who is seeking to enter the US presidential elections as an independent candidate, complained yesterday of a dirty tricks campaign by the Republican party to discredit him, and said he would stop most of his public appearances over the next few weeks so he could work out where he stood on policy issues.

Mr Perot, who is best known for his $3bn (£1.6bn) fortune, was speaking at the American Newspaper Publishers' Association congress in New York yesterday.

Argentina to privatise nuclear power plants

By John Barham in Buenos Aires

AN announcement by Mr Domingo Cavallo, Argentina's economy minister, that he intends to privatise part of the country's nuclear power industry has run into stiff opposition.

The minister has said he wants to sell two nuclear power stations next year to raise money to fund the completion of a third nuclear generator. His plan focuses on the 357MW Atucha I unit close to Buenos Aires and the 648MW Embalse plant in the central province of Córdoba.

The money raised from the sale would be used to complete the 750MW Atucha II unit, which has been delayed for almost 10 years.

It is being built largely with local technology and is already 61 per cent over budget – the government has spent $2bn (£1.1bn) on the plant, with completion costing a further $900m.

However, Mr Eduardo Bauzá, President Carlos Menem's chief of staff, has warned that private operators could not be relied on to provide sufficient security and safety precautions. The Atucha I plant has suffered a series of accidents and systems failures, although the National Nuclear Energy Commission, which operates the station, insists that safety has never been threatened.

Staff at the plant are reported to have attacked Mr Cavallo's idea, claiming that reducing the state's role in the industry was further evidence of Argentina's submission to the US. Washington has voiced concern that Argentina's nuclear technology is being leaked to "unreliable" regimes such as Iran.

Last month Argentina introduced new export controls, restricting the sale of sensitive technologies.

Cuba's foreign investment dealt blow

By Damian Fraser in Mexico City

FIDEL Castro's attempt to rescue Cuba's battered economy through foreign investment was dealt a blow yesterday when 11 Cuban exile groups, representing all shades of exile opinion, said that were they to come to power "these [foreign] investments would be considered as state property and disposed off accordingly".

In an open letter to foreign investors, the 11 groups said these investments "serve to prolong the tragic situation of our country and its people".

"It is our position," said the letter "that investments made in Cuba under the present circumstances should not benefit from any laws passed by a future Cuban government for the protection of private property.

"Investors must consider that in many cases, joint ventures or agreements are being entered into with entities or organisations which almost certainly will cease to exist".

Canadians approve new Arctic region

About 27,000 voters in Canada's Northwest Territories have narrowly approved the setting up from 1999 of the region of Nunavut, a vast area including most of the eastern Arctic, Robert Gibbens reports from Montreal. It is seen as the first step toward creating a homeland for the Inuit.

Most of the inhabited Arctic islands are included in Nunavut, but the Beaufort Sea remains in the western NWT.

● Mr Robert Bourassa, Quebec's premier, is returning to the constitutional negotiating table with a four-day visit to western Canada and direct talks with the four western premiers.

He wants to put a federal constitutional offer before Quebec voters this autumn, rather than hold a referendum on Quebec's sovereignty.

He is now trying to ensure the offer will be at least as generous to Quebec as Ottawa's Meech Lake proposals, which failed to get unanimous provincial consent in 1990.

Southern EC states fight plan to end tied aid

By David Buchan in Brussels

SOUTHERN EC states have strongly opposed a European Commission proposal, backed by the Dutch, for the Twelve to remove the restrictions tying much of their national development aid to the purchase of goods and services within their own countries.

The first serious debate for many years by EC aid ministers on the controversial issue of "untying" development assistance ended on Monday night, with France, Spain and Italy stoutly opposing any weakening of the "national procurement" restrictions still attached to some $10bn of aid that EC states give the Third World each year.

The southern trio argued that, while untying aid might give developing countries better value for money if they could shop around the EC for the best deal, it would effectively decrease the overall level of aid because taxpayers in one EC state would not want to see aid-related contracts going to the industry of another EC state.

The Commission proposals won full backing only from Mr Jan Pronck, Dutch aid minister, who had commissioned them when the Netherlands held the EC Council presidency last autumn.

Lady Chalker, UK aid minister, with some German and Danish support, suggested a gradual untying of aid. In the end, ministers asked the Commission to make a further study, but the EC executive seems unlikely to come up with a formal draft directive to abolish tied aid, as Mr Pronck has urged.

This week's debate showed that France, Italy and Spain form a clear blocking minority in the EC Council.

EC aid, via the Community and national budgets, amounted to $26.7bn in 1988, but this does not include relatively small amounts from Greece, Luxembourg, Spain and Portugal which do not belong to the OECD's Development Aid Committee.

About 60 per cent of the total is untied, including money channelled through Brussels to some 70 developing country members of the EC's Lomé Convention.

Israel extends its arm to tie up central Asian links

Following success elsewhere, the Jewish state finds open doors in unlikely places, writes **Hugh Carnegy**

TURKEY and Iran attract most of the headlines in the battle for influence in the central Asian republics of the former Soviet Union. But Israel has wasted little time in establishing links it hopes will blossom into lucrative trade.

The Jewish state is anxious that the Moslem republics should not line up against it with fellow-Moslem Arab states and Iran, the most strongly anti-Israel state in the region. It has moved quickly to establish official relations with five of the six republics – Kazakhstan, Uzbekistan, Azerbaijan, Tajikistan and Kirghizia – but not Turkmenistan, and may soon have representative offices in the first two.

To underpin the diplomatic relationship – and establish a foothold in what is seen as a big potential export market – there are efforts to build trade links. It is a pattern Israel has followed in the past in regions such as South America and Africa and recently in China.

As many as 18 Israeli companies are said to have visited Kazakhstan, with at least three "doing serious business". Israel was one of the first countries to be put on a direct-dial telephone link by Kazakhstan.

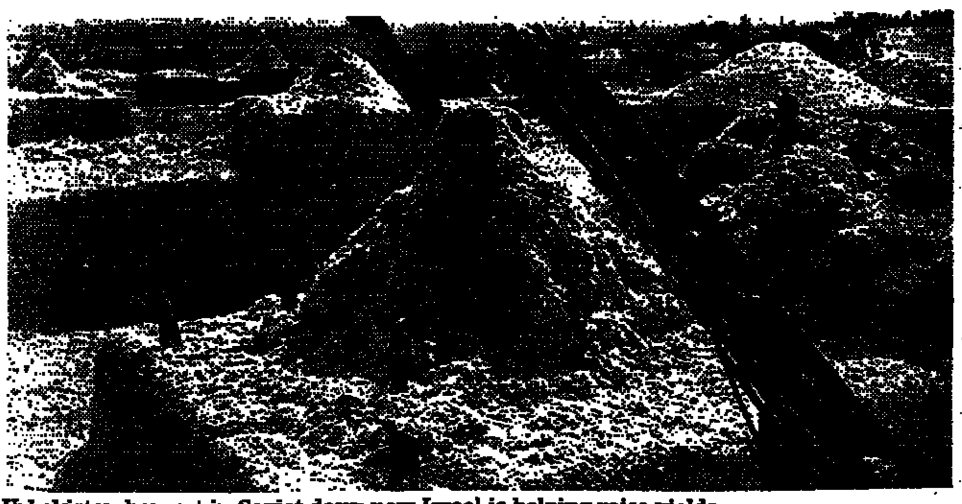
Several Kazakh government delegations have been to Israel in recent weeks, including one led by the agriculture minister which held talks with Mr Yitzhak Shamir, the prime minister, and was given lavish treatment. The Kazakh prime minister is expected this month.

Similar links have been established with Tadjikistan, Azerbaijan and Uzbekistan. In a typical Israeli scheme, cotton yields at a farm in Uzbekistan were reported to have increased by 40 per cent on one-third of previous water consumption in one season through improved irrigation techniques.

Mr David Kimche, a former director general of the foreign ministry who specialises in fostering delicate relationships such as that with China, has been building contacts in the central Asian republics in recent months. He says he has found "no hesitation" among them in forging links with Israel.

In South America, Africa and China, much of what Israel has offered has been military supplies. In public at least, the emphasis in central Asia has been on the republics' outmoded agriculture and communications systems – both areas Israel reckons it is ideally placed to upgrade.

"They believe we have a lot to offer in agricultural technology and food production," said Mr Kimche. He said there was interest also in studying the experience of Israel's collective – but independent – Moshavim farms. Although these farms have been in difficulties, the Asian republics are said to be thinking of using the Moshav model in scaling down their huge collective farms left over from the Soviet era.



Uzbekistan harvest in Soviet days: now Israel is helping raise yields

The risk for Israel is that the current secular-oriented regimes it is now getting close to will be replaced later, perhaps by more militantly Islamic governments. But that has not deterred the drive into the republics.

One Israeli company which has signed agreements for four projects in Kazakhstan is Merhav, part of an Israeli-owned international private group Metropolitan Investments Corporation. With widespread experience in debt settlement, project development and trading in regions such as South America and Africa, it has taken the plunge in central Asia enthusiastically.

The four turnkey projects to refurbish outdated agricultural systems signed in January – one in cotton and one in tomato production are already underway – have a total value of $85m. But, as Mr Yosef Maiman, the company chief, admits, the deal is a calculated risk. It was concluded with the Kazakh government in three days in mid-February, barely a month after first contacts were made.

"You have to take decisions on the spot. A lot goes on intuition and you have to be fast to implement. We started ordering millions of dollars worth of equipment before the deal was finalised," said Mr Maiman.

Merhav has had to spend a lot up front to get the projects moving. It has established a 25-person office in Alma Ata in Kazakhstan. Getting equipment shipments to the distant, land-locked republic has been a logistical nightmare. The company uses its own private jet and charter flights to speed things up. In early April, a 14-truck convoy was sent back to Turkey from Iran causing a 20-day delivery delay.

Only a "small part" of the price is paid in hard cash. For the rest, Merhav gets to pick from a Kazakh list of commodities which, like a menu in a flagging restaurant, has fewer items available than it first appears. Cotton and tomato paste will make up some of the payment, says Mr Maiman.

But he insists Merhav will make money on these initial projects and foresees future business for Merhav in Kazakhstan of up to $100m a year.

"Yes, there is a particular value for Israel to be in a predominantly Moslem republic which has natural resources Israel may need over time," Mr Maiman says. "But we are a business operation aiming to penetrate a market and to be profitable doing it. We wouldn't have got into it otherwise."

France abandons air agreement with US

By Alice Rawsthorn in Paris

THE ROW between France and the US over Franco-American air capacity has come to a head with the French government announcing it has abandoned the 55-year-old agreement on transatlantic air traffic.

France has for months been fighting the US over its proposals to increase its transatlantic routes. Unless the two countries can strike a compromise, there is a risk of serious disruption to flights between France and the US, although the French transport ministry said there will be no immediate break in services.

The reason for the dispute is a proposal by the US Trade Department to increase the volume of traffic from eight American airlines to and from France by 35 per cent this year.

The French government has also recently been in dispute with Washington over other trade issues, notably the farm subsidies in the General Agreement on Tariffs and Trade.

In the air capacity dispute, France says the increase should be limited to 15 per cent. Air France has campaigned strongly to limit the increase in transatlantic US traffic. The airline, which makes about 15 per cent of its annual sales from transatlantic flights, is concerned that the profitability of its routes would come under pressure if there were greater competition from US airlines.

Russia to trade factory plant for Chinese food

RUSSIA plans to trade machinery, aircraft and factory equipment for Chinese food and consumer goods under a pact on economic ties for 1992 signed in Beijing yesterday, **Reuter reports from Moscow.**

The protocol, according to the Itar-Tass news agency, specified the volume of goods that the two will supply to each other through direct trade, local deals over the border, barter and exchange agreements and other means.

Olivetti in McDonald's deal

Olivetti, the Italian computer and office equipment group, is to supply point-of-sales computer technology to the McDonald's fast food group in the US in an agreement worth over $300m.

The order, won against competition from IBM, Panasonic and NCR, is Olivetti's biggest contract from the the US and one of the largest deals in its history. Under the plan, eight or nine Olivetti personal computers will be installed in each of McDonald's 8,800 US outlets, which will be linked via local area networks.

The deal envisages the installation of more than 50,000 computer workstations, along with a variety of peripheral equipment.

GPA nears Ukraine agreement

GPA, the Irish-based aircraft leasing company, is negotiating a $400m deal with the new Ukrainian government to re-equip its national airline with between five and seven modern narrow and wide-bodied jets, **reports Tim Coone from Dublin.**

Mr Leonid Kravchuk, the Ukrainian president, met senior GPA executives at the company's Shannon headquarters yesterday during a stopover en route to the US.

Negotiations are apparently at an advanced stage with two other republics in the Commonwealth of Independent States (CIS) to supply one Boeing 757 and one 737 on leasing contracts. Lithuania and Hungary have already received nine jet aircraft from GPA.

ABB wins turboset contract

Asea Brown Boveri, the Swedish-Swiss engineering group, announced yesterday that it had secured a $210m contract from the German company VEAG to design and supply two turbosets with a total output of 1,600MW for a power plant to be built at Boxberg in Saxony, **writes Robert Taylor in Stockholm.**

The first turboset is scheduled to supply electricity from mid-1996 and the second from six months later.

The order for ABB follows one worth $50m a few weeks ago for the same Saxon plant. The contract will be carried out jointly with ABB Bergman Borsig of Berlin.

Record exports for Taiwan

Taiwan's exports last month totalled a record $7.25bn, bringing the value of exports so far this year to $26.3bn, according to finance ministry figures released on Monday, **Luisetta Mudie reports in Taipei.**

The March figure represents an increase of about 29 per cent on the same month last year.

The US remained the largest importer of Taiwanese exports, accounting for 26.4 per cent of the total and running a $700m trade deficit which increased by 135 per cent year-on-year. Exports to Taiwan's second largest market, Hong Kong, reached $1.5bn in March, an increase of 65 per cent on last year. In spite of a 13 per cent increase year-on-year in exports to Japan, Taiwan's deficit with Japan still increased by $100m.

Noranda sells technology

Noranda, Canada's biggest resource group, has sold its continuous copper smelting technology developed for its Quebec smelter to the China National Non-ferrous Metals Import & Export Corp, **Robert Gibbens writes in Montreal.** The process reduces sulphur dioxide emissions and has already been sold to smelting companies in the US and Australia. The Chinese will incorporate it in the Da Ye copper smelter in south western China.

US steps up threat to seize Iraqi assets

By Mark Nicholson, Middle East Correspondent

WASHINGTON has stepped up talks with its Gulf war allies on a proposal to appropriate frozen Iraqi assets to pay for humanitarian needs and United Nations programmes in the country.

The US is pressing Britain and France to consider framing a Security Council resolution to enable the spending of some of the $5bn in Iraqi overseas assets frozen since the August 1990 invasion of Kuwait.

Washington's renewed vigour in pursuit of a proposal which has been in the air for some weeks is aimed at forcing Baghdad into accepting the terms of a UN-permitted sale of $1.6bn worth of Iraqi oil to buy food and medicines. A western diplomat in New York said: "Iraq is being told, either do a deal with the UN, or we'll spend your assets."

Talks between Iraq and the UN on a limited sale of oil have remained deadlocked, with Iraq maintaining that the UN supervised terms for the sale, and for spending the revenues, are an unacceptable abrogation of its sovereignty.

Mr Abdul Razzak al-Hitti, Iraq's oil minister, said at the Opec summit last month that an agreement on the oil sale could take only "a few days" to work out, but no date has been set for further talks and oil analysts believe Iraq is unlikely to resume any oil sales before the end of this year.

Mr Abdul Amir al-Anbari, Iraq's representative at the UN who has led negotiations over the permitted oil sale, has flown to Baghdad for talks with Mr Tariq Aziz, Iraq's deputy prime minister, and is expected to escort him on a trip within the next few days to non-aligned UN member countries.

Mr Aziz is expected first to visit Rabat, capital of Morocco, the sole Arab country presently on the UN Security Council.

US officials say an appropriation of frozen Iraqi assets could easily be enacted. However, Britain and France have been less enthusiastic about the possible legal ramifications of such a move.

Bankers and lawyers in London say an assets appropriation would have to be backed up by passage of domestic legislation to protect banks against potential future Iraqi claims on the seized assets. Just over $538m of frozen Iraqi money lies in London banks.

Bankers also say that they would be unhappy about the effect any such appropriation would have on the view of London as a financial centre: "It's Iraq this time – but who might it be later? That would be the thinking," said one banker.

The US treasury is also understood to be worried that any Iraqi assets spent on humanitarian needs would not then be available to offset claims by US companies against Iraq. "The problem is we have more claims against Iraq than we have money," said one US official.

More than $1.4bn of Iraqi assets are locked in US banks.

Money secured, either through an oil sale or appropriation of assets would be spent largely on food and medicine, with 30 per cent used to pay for compensation to victims of the invasion of Kuwait and for UN programmes in the country.

Syria denied a report that it was importing Iraqi oil, which is under a UN embargo, and exporting it mixed with its own crude, Reuter reports from Damascus.

Dadoud Hido, president of Sytrol, the body responsible for marketing Syrian oil, said the increase in his country's oil exports was a result of newly discovered oilfields coming onstream. He denied a report in Petroleum Intelligence Weekly last month that Syria was mixing its oil with Iraqi crude.

Campaign to swap debt for drugs aid gathers pace

The third world has told UN it cannot afford the fight against narcotics, writes Ian Hamilton Fazey

A LARGE group of third world countries has told the United Nations they cannot afford to fund the fight against drugs. They want to swap some of their international debt to help pay for combating illicit drug growing, production, trafficking and abuse.

The move is being opposed by most developed nations, particularly the US and Britain, which regard third world debt as a bilateral matter between individual borrowers and lenders, not as something on which the UN can act collectively.

They also say the global fight against drugs and drug-related crime is embedded in international treaties which all nations have a duty to implement. Their efforts cannot be made conditional.

Nevertheless, the UN is being forced to investigate and develop the "debt-for-drugs" concept after Bolivia, Colombia, Egypt, Nigeria and Peru this month forced a motion through the UN Commission on Narcotic Drugs in Vienna.

Nigeria acted on behalf of the Group of 77, the third world's counterweight to the smaller, but more powerful, grouping of developed nations.

The Group of 77 is gradually increasing its representation on the commissions and committees that formulate UN policy, so as to have a voting majority wherever it can.

The UN International Drug Control Programme, which gets most of its $100m-plus budget from the US, Japan Australia and east European countries, has to report back to the commission in 12 months on making the debt-for-drugs concept work.

One idea canvassed is for some government-to-government debt to be converted into local currency, forgiven but frozen in place, and the former interest payments diverted into anti-drug projects. Bolivia is being suggested for a pilot scheme with some of its $200m debt to US agencies retired for the purpose.

A parallel is being drawn with "debt-for-environment" schemes which UN and other agencies are also exploring. Here, third world countries can agree, for example, not to clear areas of rain forest in exchange for debts being forgiven.

However, opponents of the debt-for-drugs idea say the parallel is false. The debt-for-environment swap would work through a value being placed on a section of rain forest not being developed and being designated a conservation area or international nature park. This would turn it into an asset for the country concerned, making money-earning development, such as tourism, possible.

Debt-for-drugs is being seen as more like blackmail because international crime and widespread corruption are involved. At best, countries with debts would be tempted to let their anti-drug performance deteriorate so as to force a debt-for-drugs agreement on the international community.

Illicit drug producers could then simply transfer operations over the nearest border, thus compounding the problem in a neighbouring country and encouraging debt-for-drugs swaps there.

The UN already has experience of unexpected side effects from anti-drug initiatives. When it started crop substitution programmes, some farmers started growing opium for the first time in order to qualify for the subsidies that then enabled them to switch back to their original crops.

The Group of 77 nations says, however, that diverting already scarce resources into fighting drug cultivation, reduction, trafficking and abuse strains the countries' national economies. At the same time, debt burdens diminish their ability to promote alternative economic development to persuade people away from the easy money drugs provide.

There is also a view in the UN that much third world debt is never going to be repaid anyway, so debt-for-drugs would at least give the developed world some benefit from writing off what is in effect dead money.

However, the "blackmail" connotations have already registered strongly with several developed nations. This is thought likely to make some of them wary of channelling money to UN agencies, using instead bilateral agreements with individual third world countries, with close monitoring of the anti-drug projects involved.

Specially chosen Guarijos Indian troops carry out a drugs search in the Colombian town of Riohacha, but they are failing to keep pace with the traffickers

Russia, India face US action over missile deal

Burbulis: ridiculed US stance on technology transfer

By K.K. Sharma in New Delhi

RUSSIA and India faced the possibility of sanctions by the US after they decided yesterday to go ahead with a $250m (£141m) contract for the sale of Russian rocket technology for India's space programme.

The Russian decision was announced yesterday by Mr Gennady Burbulis, the Russian secretary of state, at the end of three days of talks on bilateral matters.

Mr Burbulis ridiculed US attempts to assume the role of a global lawmaker on missile technology and declared that Russia would go ahead with its contract with India. The Bush administration has warned Russia and India that they risk US sanctions if they complete the deal on the sale of booster rocket technology.

Ms Margaret Tutwiler, the US State Department spokeswoman, said her government would decide soon on its response to the rocket deal, which she said was inconsistent with the guidelines of the Missile Technology Control Regime.

Possible penalties would involve the suspension of access to US technology requiring export licences, and suspension of access to US government contracts.

Under the deal, the Russian space agency is to sell India technology needed to build rocket booster engines for launching communications satellites into orbit. The US apparently feels the Indian space programme has military objectives but Russia has rejected this view.

Russia has been collaborating with Indian scientists on its space programme for a long time. With the help of the then Soviet Union, India has launched several satellites into orbit. Russia has now openly resisted US pressure to revise the agreement.

Mr Burbulis's visit was the first by a Russian leader since the political changes in that country. It has laid the basis for a visit to India by Mr Boris Yeltsin later this year.

India has very close ties with the former Soviet Union and faced the possibility of losing an important ally because Indian officials misjudged events that led to the breakup of the Union.

They have been busy ever since trying to restore Indo-Russian relations to their former level.

Mr Burbulis's remarks at the end of his visit are reassuring to India's ears. In addition to defying the US on the issue of rocket technology, Mr Burbulis said that Russia would continue to supply spares for defence equipment.

This assurance is welcome to India which depended heavily on the Soviet Union for defence equipment and vast quantities of hardware could have been rendered obsolete because of the lack of spares.

Mr Burbulis said Russia has confirmed its intention to continue the defence co-operation that the former Soviet Union had with India. He also promised that the disruption of Russian crude oil supplies would end soon.

During his visit, Mr Burbulis signed a five-year trade agreement with India which envisages payments in hard currency instead of rupees. He also offered India a Rbs2.5bn (£14.3m) credit for supply of defence equipment and paper.

Thai's hunger strike adds to pressure on PM

By Peter Ungphakorn in Bangkok

ABOUT 5,000 Thais rallied in Bangkok yesterday in support of a popular politician who has pledged to starve himself to death unless Prime Minister Suchinda Kraprayoon resigns.

His hunger strike increased tensions in the city on the eve of a parliamentary session in which Gen Suchinda is due to set out his government's policies.

Pressure on the government of Gen Suchinda, the former army commander and leader of last year's coup d'état, has increased steadily since his appointment was announced on April 7.

It escalated on Monday when 50,000 Thais protested against the appointment of an unelected prime minister and Major General Chamlong Srimuang, former governor of Bangkok, started his hunger strike.

Business leaders expect stocks to fall sharply when the market reopens this morning, accelerating a steady decline in the stock exchange's share price index. The index has lost 71.41 points or 8.6 per cent since Gen Suchinda's appointment.

Businessmen say Gen Suchinda should never have appointed to his cabinet allegedly corrupt MPs who were in the government which the military overthrew last year.

Maj Gen Chamlong's threat to die if the premier does not stand down is being taken seriously. He has gained popularity because of his near-ascetic way of life and his reputed honesty.

The party he leads won 32 out of 35 seats in Bangkok in the general elections which took place on March 22.

US stance rattles Asian Development Bank consensus

By Alexander Nicoll in Hong Kong

THE Asian Development Bank, with its president and many senior officials coming from Japan, is traditionally run by consensus and without open confrontation.

These qualities were difficult to find yesterday, however, with officials of shareholding countries, speaking at the bank's annual meeting in Hong Kong, advancing deeply contrasting views of the bank's future role as a regional development institution.

Mr Olin L. Wethington, assistant secretary for international affairs in the US Treasury, said bluntly that the US, as equal largest shareholder with Japan, would not countenance a replenishment of the ADB's capital resources until it had radically altered its lending policies.

The opposing view was provided by Mr J B Sumarlin, finance minister of Indonesia, by far the largest borrower from the ADB. He urged rapid approval of the bank's request for a capital increase, arguing that its loans "represent the most cost-effective way of delivering development financing".

The ADB will not actually need new money – it is seeking a 110 per cent capital increase representing new commitments of $25bn – (£14bn) until 1994 and the approval process is likely to take at least a year.

However, the opening arguments appeared to signal a fundamental debate about the role of development institutions in fostering growth, and about the role of the state, which remains significant in most Asian economies despite their dynamic growth and healthy private sectors.

The ADB has begun to direct financing at the private sector and has carried out numerous studies on the issue. But the bulk of its lending continues to finance public sector works.

The US has lost patience. "Any new capital increase should await the formulation of a clear and effective strategy for encouraging private sector development," Mr Wethington said.

The US also wants:

- loans to be conditional on adherence to policy reforms, for example to support reforms which opened up financial markets;
- an end to co-financing arrangements with commercial banks which could threaten the ADB's credit standing;
- and a re-assessment of which countries should get loans.

The arguments stem partly from Asia's remarkable growth, which has pushed the four "dragons" – Hong Kong, Singapore, Taiwan and South Korea – beyond the point where they can borrow from the ADB. Thailand and Malaysia are approaching that stage.

This leaves a concentration of loans outstanding to a few countries: Indonesia (34 per cent), India (17), Philippines (14), Pakistan (14), Malaysia (6), China (5) and Thailand (4).

There are few other candidates for significant lending, though Vietnam, Mongolia and possibly the central Asia republics, if they joined, could borrow in future years. (Soft loans for poorer members are backed by a separate capital base not covered by the latest ADB request.)

A 46 per cent rise in new loans last year was largely because of increased borrowing by India and China. The US says, however, China's large current account surplus should enable it to borrow more from commercial sources and less from the ADB.

The US attitude to the ADB is viewed as dogmatic and blinkered by many regional countries which see Washington as increasingly out of step with Asia and isolated on issues such as financing for Vietnam, which it blocks.

Australia says US supports proposals to upgrade Apec

AUSTRALIA yesterday claimed to have won US support for proposals to strengthen the Asia Pacific Economic Co-operation (Apec) process by establishing regular meetings of regional heads of government, writes Kevin Brown in Sydney.

Australian officials said US president George Bush had endorsed the proposals in a letter to Mr Paul Keating, the prime minister. Mr Bush was also said to have supported Australian moves to establish a permanent Apec secretariat.

Mr Keating proposed the upgrading of Apec during a visit to Indonesia last month. The proposal was received cautiously by President Suharto of Indonesia, and is thought to be regarded with suspicion by other south-east Asian nations.

Malaysia, in particular, has opposed Australian attempts to strengthen Apec because of concerns that it might undermine the Association of South-East Asian Nations (Asean).

Asean, which groups Malaysia, Indonesia, Singapore, Brunei, Thailand and the Philippines, is developing plans for a south-east Asian free trade zone in response to the emergence of trading blocs in Europe and North America.

Mr Keating has also stepped up Australian pressure on the US to maintain a significant security presence in the region.

In recent talks with Mr Dick Cheney, US defence secretary, Mr Keating supported continuation of US facilities in Australia, and offered use of a bombing range when the US leaves the Philippines this year.

ADB considers its first loan to Cambodia for 21 years

By Alexander Nicoll in Hong Kong

THE Asian Development Bank is discussing its first loan to Cambodia for 21 years, marking the country's return to the international financial community after the ravages of the Khmer Rouge regime in the 1970s and the subsequent 13 year civil war.

Officials said the bank is considering a special rehabilitation loan of $50m to $70m (£28m to £39m) to provide emergency support for transport, irrigation, fertiliser and health care.

The financing will go before the ADB board in the next two months provided that legal and bureaucratic obstacles can be overcome. Cambodia must still repay a small amount of old arrears, and the legal entity receiving the loan must be determined as the country has an interim government structure.

New loans would also depend on continuation of the United Nations-sponsored peace process. Yesterday, Khmer Rouge guerrillas launched fierce attacks on government-held positions in the worst violations yet of the ceasefire begun last autumn.

The scale of the rebuilding task awaiting Cambodia's new government is revealed in a report by the ADB released at its annual meeting in Hong Kong.

Production of most goods, such as rice, rubber and fish, though they recovered in the 1980s under the Vietnamese-installed government, remains below the levels of 1969.

By 1979, after the genocidal reign of the Khmer Rouge in which 1m people died, life expectancy was down to 31. By 1989, it was still only up to 48 and infant mortality and disease rates remained high.

Annual per capita income is guessed to be between $150 and $200, though even this low figure masks wide disparities between relative prosperity in Phnom Penh, the capital, and poverty elsewhere.

What the ADB does not mention is the need for successful UN-monitored elections of a new government, rehabilitation of over 300,000 refugees, and clearing of land-mines.

Mr Ou Orhat, vice-minister of planning and head of the Cambodian delegation to the ADB meeting, said yesterday: "After twenty years of destructive war, the reconstruction needs are enormous."

NEWS: INTERNATIONAL

Some of 13 Moslem fundamentalists after they were sentenced to hang at a military court in the Algerian desert town of Ouargla on Monday. They were convicted of an attack on a border post in which three guards were killed. Seven more went on trial yesterday, accused of a raid on a naval post in Algiers last February in which 10 people died. Gunfire erupted in the city's Bab el-Oued Moslem stronghold last night as police surrounded the area.

Islamic extremism haunts Egypt's élite

The deaths of 13 people have deepened concern about militancy, reports **Tony Walker**

ISLAMIC extremists in Egypt recently called for the demolition of Cairo's observation tower on Gezira island in the Nile on the grounds that it resembled a giant phallus and was therefore detrimental to public morality.

Egypt's intellectuals chortle over these sorts of pronouncements and wonder whether the country's famed Pharonic obelisks may not be the next target of fundamentalist wrath. At the same time they worry about the restless Islamic tide that yields such strange views.

Debate has sharpened in recent months in the dusty Nile-side salons of the bourgeoisie and on university campuses among a frustrated élite about the best way to combat the more irrational impulses of the Islamic tendency. Criticism of the government's handling of the problem is pervasive.

Mr Milad Hannah, a professor of engineering at Ain Shams university in Cairo, decries official policy which seeks to co-opt the Islamic trend by making the government appear more Islamic than the Islamicists. Under government sponsorship, Mr Hannah says, "Egypt is a very good candidate for Islamic fundamentalism. It is on the road to fundamentalism."

Increased anxiety among the élite stems particularly from the upheavals in Algeria after the success of an Islamic party in the polls; from the recent case in Egypt of a novelist sentenced to prison for blasphemy against Islam and also from a worrying incidence of Moslem attacks against Christians and Christian property, including the sectarian violence in Upper Egypt this week in which 13 people were killed.

Mr Hannah, like other prominent Egyptian writers on the subject, believe that the government's information and education policies are playing into the hands of Islamic militants by allowing the public media to be used to "sell Islam" in the hope that "official Islam", what he describes as "*mufti* Islam", will submerge the "unofficial" version.

At the same time, the authorities resort to oppression, including detention without trial under the emergency laws, to curb Islamic groups. This "carrot and stick" approach has enabled the government thus far to keep the lid on Islamic militancy, but many Egyptian commentators question this strategy as a long-term panacea.

Ms Hala Mustapha, an expert on Islam at Al Ahram Strategic Studies Centre, believes that fewer television hours should be devoted to Islamic themes; that the education system should be reformed to lessen emphasis on Islamic teaching; that the great Islamic teaching university of Al Azhar should be opened to more liberal ideas; and, perhaps most important, that real public debate should be allowed in the mass media between the Islamicists and secularists.

'Cairo's Gezira tower: where Freud meets Islam

Ms Mustapha cites the recent example of a stirring discussion between the two sides at the Cairo book fair where voices for and against the separation of church and state were raised in a spirited and for the most part good-natured debate; but barely a word of this discussion filtered into the government-controlled media.

Mr Farag Foda, a participant in the book fair debate and a frequent and outspoken critic of Islamic militancy, believes that the best way for the government to combat the extremists is to open the air waves to debate.

"Media and education are the long-run way to avoid a confrontation," he says. Mr Foda and others say the importance of radio and television in a country where the rate of illiteracy is 70 per cent cannot be underestimated, but broadcasting policy remains rooted in the past with the government apparently fearful of relaxing its vice-like grip on programming.

Meanwhile, disaffected youth despairing of finding work – unemployment is above 20 per cent – seek solace in religion, but not the variety espoused officially: rather, they gravitate towards *zawyias*, literally "corners" (rooms or areas set aside in private houses) where fundamentalists spread their message that militant Islam is "the solution" to the country's ills.

"The *zawyias* are deep in the lanes and hearts of Egyptians," says Mr Hannah. "There, people listen to another type of Islam, fundamentalist Islam which preaches violence, hatred of Christians and *Jihad* (Holy War)."

To the perennial question: whether militant Islam in Egypt is again on one of its periodic upswings there appears no consensus. Mr Foda believes it is not, but he cautions that the government cannot afford to be complacent, especially at a time when International Monetary Fund-inspired price increases are causing widespread hardship.

Secularists have been heartened by the sterner tone adopted recently by President Hosni Mubarak towards Islamic extremists. They hope this reveals the beginning of an awareness of the real challenge faced by the authorities.

The mainstream Islamic movement in Egypt, the Moslem Brotherhood, meanwhile bides its time, apparently convinced that it remains the only alternative to the established order.

Lebanese go on rampage against economic hardship

By Lara Marlowe in Beirut

HUNDRED of Lebanese demonstrators yesterday protested against the collapse of the Lebanese pound by setting fire to the home of the country's finance minister, beating up policemen, closing down businesses and ransacking foreign exchange shops.

The unrest broke out after radio broadcasts announced that the pound, once one of the strongest currencies in the region, was selling at an all-time low of L£2,100 to the dollar on the black market. It traded at L£2.5 to the dollar before the 1975-90 civil war.

Protesters in the southern city of Tyre shouting "Down with a government that starves its people," converged on the home of Mr Ali Al-Khalil, the finance minister, before burning it down. Mr Khalil was in Beirut at the time and the crowd of around 300 left when 25 soldiers arrived.

Yesterday's riots marked the first violent expressions of protest since Lebanon's economic crisis began to worsen in February. The government sent troops to Sidon and Tyre to reopen roads blocked by hundreds of burning tyres, while the country's main trade union called a three-day general strike to begin today.

However, the Confederation of Trade Unions which called the strike rejected proposals for unlimited action because it would only increase people's suffering. The general exhaustion which followed the end of 15 years of civil war, along with the continued the presence in the country of 40,000 Syrian troops, make a full-scale revolt unlikely.

Since the Lebanese pound began a precipitate decline in February prices of basic commodities have in some cases doubled or trebled. Most wage-earners are paid in Lebanese pounds and many people say they never knew such hardship even during the war.

Merchants – who must pay dollars for their imports – claim they are still making losses. Yesterday petrol stations and shops refused to accept Lebanese pounds.

The crisis contrasts with the optimism last summer, when the Central Bank stabilised the pound at L£879 to the dollar and tens of thousands of Lebanese emigrées returned to the country. But, disillusioned by its shattered infrastructure, red tape and corruption, most returnees left in the autumn and the repatriation of funds stopped.

Since the war ended in 1990, promised reconstruction aid has also failed to materialise. The pound began to plunge in February after private sector pay rose by more than 100 per cent and the Central Bank announced that it would no longer deplete its limited reserves to shore up the pound.

Mr Omar Karami, the prime minister, put the present plunge in confidence down to a "foreign plot" against the Lebanese economy, but banking and business sources say the the crisis has more to do with government over-spending and mismanagement.

Nevertheless, the government has increased its revenues in the past two months, set a ceiling on spending and limited its borrowing from the Central Bank. But these measures have not succeeded in restoring confidence and the crisis now appears as much political as economic.

Anger has focused on Mr Karami, who yesterday went to Damascus for talks with Syrian officials – prompting speculation that he may resign. *An Nahar*, the respected Beirut newspaper, said that the Karami government might not last until the end of the week and predicted he would be replaced by Dr Selim El-Hoss, the economist and former prime minister, or by Mr Rafiq Hariri, the Lebanese-born Saudi multi-millionaire.

NEWS IN BRIEF

Mujahideen named as Afghan ministers

THE new Islamic government of Afghanistan named 36 mujahideen leaders as ministers in the transitional administration that took power a week ago, as a barrage of rockets killed at least 40 people and wounded 200, Our Foreign Staff writes.

Dozens of rockets fired by fighters supporting Mr Gulbuddin Hekmatyar landed throughout the city after government forces began an offensive at first light.

Apart from Mr Ahmad Shah Masood, who was named defence minister before the government formally took power, and Mr Ahmad Shah, the interior minister, all the ministers were appointed for only two months.

ANC criticises de Klerk reshuffle

The African National Congress (ANC) yesterday criticised a reshuffle in President F W. de Klerk's all-white cabinet and called for the participation of blacks in a new government, Reuter reports from Johannesburg. The ANC said that while replacements had to be found for two ministers, who are stepping down due to exhaustion, rapid progress was needed in multi-party talks on a democratic constitution.

"President de Klerk's major cabinet reshuffle carries with it the implication that the government is proceeding with policies unilaterally," an ANC statement said. The white-led government and the ANC are the main protagonists in 19-party democracy talks under way since December.

Russia and Japan to draft treaty

Russian and Japanese officials are to draft a peace treaty to end formally a state of war which has existed between them since the second world war, Reuter reports from Moscow. Interfax news agency said yesterday working parties from Russia and Japan had been told to draft the peace treaty before Russian President Boris Yeltsin visited Japan in September.

A long-running dispute about the ownership of the four most southerly islands in the Kurile chain off Japan's northern tip has prevented Russia and Japan concluding a peace treaty.

Somalis flee to Kenya

Thousands of Somalis fleeing a fresh outbreak of fighting have flooded over the border into neighbouring Kenya in recent days, UN officials said yesterday, Reuter reports from Nairobi. A senior United Nations High Commission for Refugees official said the Kenyan government estimated at least 30,000 new refugees had arrived over the past six days. The latest influx comes on top of some 300,000 other refugees seeking refuge in Kenya from war and famine in Somalia, Ethiopia and Sudan and has stretched the east African country's hard-pressed resources to the full.

Trade minister to champion business but rejects major policy change

Heseltine pledge for industry

By Philip Stephens, Political Editor

MR MICHAEL Heseltine, the new trade and industry secretary, pledged a positive response yesterday to calls from business leaders for the government to do more to champion industry in domestic and overseas markets.

But despite the political clout that his appointment brings to the Department of Trade and Industry (DTI), he was careful to play down speculation of radical changes in the government's relationship with business.

In his first public comments since he was named last month as President of the Board of Trade, Mr Heseltine told the Financial Times his first priority would be to "help British industry to win".

He also said he would would spearhead efforts to improve government advice and assistance to businesses. "If industry comes to talk to us...they should believe that the people to whom they talk understand their problems," he added.

In the past Mr Heseltine has advocated a more prominent role for the DTI. He has suggested that the department should take the leading role at meetings of the National Economic Development Office and in a cabinet committee dealing with UK industrial policy.

Yesterday, however, he appeared to recognise that the Treasury would not surrender easily its current authority.

Admitting there were no instant solutions to problems faced by UK companies, he said his focus would be on "incremental excellence" – the promotion of policies which encouraged wealth creation over the long term. He intends to develop that theme tonight in his first set-piece speech to industrialists.

Mr Heseltine's strategy involved recognition of the "real partnership" between the wealth-creating and public sectors. It did not represent any "temptation to put your hand in your pocket and pay people to do things they should properly do themselves".

Mr Heseltine, who has to decide whether to refer to the Monopolies and Mergers Commission either or both of the bids for Midland Bank from HongKong Bank and from Lloyds, would give no clues as whether he is ready to broaden the existing competition criteria for referrals.

Ashley Ashwood

Helping British industry "to win": Michael Heseltine promises improved assistance

Major may overhaul honours system

By Ralph Atkins

MR JOHN Major is looking to overhaul the honours system with the aim of ending automatic rewards for government officials and others who reach a particular rank or length of service, it emerged yesterday.

The prime minister is sympathetic to the growing criticism of the arcane collection of civil and military honours which many senior mandarins, MPs and members of the armed forces receive almost by right – rather than by contribution to society.

Downing Street officials, however, have stressed "nothing is going to happen in the immediate future" – allowing Mr Major full scope to bestow recognition on the leading political figures under Mrs Margaret Thatcher, the former prime minister.

Mrs Thatcher, who retired as an MP at the election, is expected to be awarded a hereditary peerage in the Commons' dissolution honours, to be published early in June.

Mr Major believes he made a start in changing the priorities for awards in last June's Gulf war honours list when he deliberately put more emphasis on rewarding meritorious service regardless of rank.

Reform of the honours system would fit with Mr Major's pledge to push for a "classless" society. Mrs Thatcher reinstituted political honours, including hereditary peerages, for long-serving politicians.

Changes to the system would be supported, however, by many Tory MPs. Sir Peter Emery, chairman of the Commons' procedure committee, said: "The honours system has a role to play in British society but it should be based on merit and individual contribution."

England to host 1996 European soccer cup

By Jane Fuller

ENGLAND has been chosen to host football's European Championship in 1996. It will be the first international soccer tournament to be held in the UK since England won the World Cup on its home ground in 1966.

UEFA, the European football union, announced the unanimous decision of its executive committee in Lisbon yesterday. Other contenders were Austria, Greece, the Netherlands and Portugal.

The 1996 championship will be contested by eight nations, with England included automatically as the host.

Three venues have already been chosen: Wembley, the national stadium in north London; Old Trafford, home of Manchester United; and Villa Park, Aston Villa's ground in Birmingham. A fourth will be chosen from Leeds, Sunderland, Newcastle or Everton, in Liverpool.

The Football Association, which reckons it will make a profit on the championship, said yesterday the clubs involved might get some financial assistance to prepare their grounds for the event.

All of them are already bound by the Taylor Report requirement that first and second division clubs (from next season Premier League and first division clubs) must make their stadiums all-seater by August 1994.

The high standard of these stadiums and the licking of the UK's soccer hooliganism problem were mentioned as reasons for the award of the championship. However, a debate continues about whether all the clubs in the English and Scottish leagues should be forced to abandon standing areas on terraces.

The cost of converting stadiums in England and Wales was put at £440m last year. More than £300m of this would be incurred by Premier League and first division clubs, roughly three times the amount of grant available from the Football Trust by 1994.

OPPORTUNITY 2000 EQUALITY SCHEME

Job campaign gathers pace

By Diane Summers, Labour Staff

OPPORTUNITY 2000, the business-led campaign to improve the position of women at work, now involves 20 per cent of the workforce, it was disclosed yesterday .

The campaign was launched six months ago by Mr John Major, the prime minister. An initial 62 organisations, most of them household names, signed up at the launch last October. Pioneering members of the campaign included the BBC and British Airways.

Since the launch, the recruitment of a further second wave of companies has brought the total to 110, covering 5m employees – 20 per cent of the workforce, said Business in the Community, the voluntary organisation for business initiatives which is running Opportunity 2000.

Each organisation that signs up to the campaign pledges to draw up goals to monitor and improve the position of its female employees. Measures include the introduction of flexible working patterns and women-only training.

Some companies have also decided to set numerical targets for the employment and promotion of women. Other organisations have rejected such a move because of fears of possible discrimination against male employees.

MSF, the general technical union, said yesterday it welcomed the Opportunity 2000 initiative but was sceptical about the benefits to the majority of women "unless it was accompanied by direct assistance from employers". For example, the very people who most needed a career break – junior staff and single parents – could not afford to take unpaid leave, said the union.

Moderate builds bridges in hardline West Belfast

A new MP is challenging the sectarian divide in Ulster, writes Ralph Atkins

SINN Fein, the political wing of the outlawed Irish Republican Army, is facing a new challenge in its home base of West Belfast. The parliamentary seat, once held by Sinn Fein president Mr Gerry Adams, has been lost to the moderate Social Democratic and Labour Party (SDLP) and the area's political landscape is changing.

On April 9 Dr Joe Hendron, the SDLP candidate, became the new representative at Westminster for a constituency where troops patrol the streets, houses and shops are boarded-up and where a high metal fence – the so-called peace line – separates the Catholic and Protestant communities.

Dr Hendron know his narrow election victory has angered republican hardliners. "They are extremely hostile to me because they were beaten in the election," he says.

Dr Hendron puts his election victory down to tactical voting by about 1,500 Protestants in Unionist enclaves. And he vigorously denies Sinn Fein claims that they were supporters of loyalist paramilitaries.

Unlike Mr Adams and Sinn Fein, Dr Hendron and his party intend to work within the UK political system and pursue the "round-table" talks on Northern Ireland's future which began again yesterday.

Dr Hendron is also part of the SDLP delegation at the "round-table" talks - hoping to deliver a deal by which local politicians can be given real political control.

When he canvassed on Unionist housing estates the 1985 Anglo-Irish Agreement – supported by the SDLP but despised by Unionists because of the role it gives the Irish republic – was top of the agenda. "I said: 'But isn't that what the talks are about?'. I said that the Anglo-Irish Agreement is not a sacred cow."

Success in the talks would require huge compromises with a Unionist community more used to fighting catholic rivals in West Belfast.

Smouldering tensions in his constituency flared with the murder by loyalist terrorists last week of a 26-year-old mother, Mrs Philomena Hanna, at a shop on Springfield Road. Dr Hendron was jostled by Sinn Fein supporters at the site. "Hendron's voters killed Philomena," read posters.

If Dr Hendron, aged 59 and a family doctor since the "troubles" began, was supposed to be a conciliator. But his first action, triggered by Mrs Hanna's death, was regressive. He persuaded the Royal Ulster Constabulary to close the gates along the peace line.

In justification, SDLP politician reaches for a card he was given at a church service after the killing. "This was handed out to all the people. 'The walls of separation do not reach to Heaven.' That is what I would say.

"Many politicians are screaming, 'these gates must be kept open' but they are not living on the peace line. People are very frightened."

Dr Hendron, however, will be judged by his performances at the negotiating table rather than the murder scene. The new MP wants to work with Northern Ireland Office ministers to encourage investment in West Belfast, drumming up interest in the US, Canada and elsewhere, and he wants to talk with the police and army about ending harassment. Mr Adams did nothing, he says.

However, Mr Richard McAuley, Sinn Fein's spokesman, said: "We have a very well run constituency service which provides a useful service in West Belfast. Unlike Joe Hendron we did not engage in making promises we could not keep."

REDUCTION IN UK BASE RATES

Retailers detect signs of recovery

By John Thornhill, Philip Rawstorne and Gary Mead

THE HESITANT revival in UK retail sales since the general election is expected to be strengthened by yesterday's reduction in interest rates.

Mr James May, director-general of the British Retail Consortium, which represents 90 per cent of the retail sector, says: "I think there are some signs in most sectors of modest recovery."

He sounded a note of caution, however, adding: "Many retailers would like to see a bigger and quicker reductions in interest rates but the cautious approach is right in the long run. It is vitally important that interest rate cuts are sustainable and sustained."

That, of course, largely depends on what happens elsewhere in Europe. Mr Derek Bowden, media director at the Saatchi & Saatchi advertising agency, says: "Until the German economy has fully resolved its problems this [cut] does not herald a significant move for the UK economy."

Mr Brian Stewart, chief executive of Scottish & Newcastle, the brewing, retail and *leisure* group, said: "I do not think anyone should expect a sudden surge in consumer confidence and spending; but this is a positive and timely move."

Mortgage lenders to cut cost of borrowing

By David Barchard

HALIFAX, the largest UK home loan and savings institution, cut its standard mortgage interest rate by 0.3 percentage points to 10.65 per cent within an hour of yesterday's base rate cut being announced.

Mr Jim Birrell, Halifax chief executive, described the latest base rate cut as good news for home buyers.

The reduced rate applies to new borrowers but the Halifax declined to say when the 0.3 point cut would be applied to its existing mortgage customers. The reduction means a saving of £10.63 on monthly payments on a £50,000 endowment mortgage and £8.91 on a repayment mortgage of the same size.

Halifax's move took the rest of the mortgage industry by surprise. Mr John Bayliss, *managing director of Abbey* National, the second largest UK mortgage lender, said it *would also reduce its rates by* 0.3 of a point.

Other institutions – known *as building societies – have* little option but to follow Halifax and Abbey National. However, *they will do so with serious misgivings* about the effect on their balance sheets.

Though most mortgage lenders agree that some sort of *stimulus is needed to revive* the housing market, many building societies are under strong *market pressure on* both the lending and the savings side of their business.

In January, *led by Abbey* National, Halifax and the building societies cut their rates to borrowers to around 10.95 per cent, less than 0.5 of a point above the base rate. Usually, societies like to keep lending rates at least a full point above the banks' base rate, but in January they reduced this margin in order to encourage recovery. The clearing banks also said that they had their mortgage rates under review.

Industrial reaction to the rate cut, meanwhile, was mixed. All sectors welcomed the move but there were complaints about its timing and size. Many argued the real impact would be in terms of confidence rather than immediate cash.

The Institute of Directors was most *bullish, arguing it* was the "best possible stimulus" *for British business to pull the economy out of recession.*

The Confederation of British Industry, the employers' association, *said the base rate cut* was "not before time". Sir John Banham, director general, said *the move reflected the underlying* strength of the economy as well as *progress* on inflation.

"It will provide a useful boost to business confidence at *an important time. But real* interest rates remain very high for manufacturers especially. It is *important the downward* trend is maintained," he said.

In the construction sector, *Mr Peter Parkin, chief executive* of Raine, said: "A slow thaw appears to have begun in the housing market. The latest cut in base rates can only help this progress."

Many electronics manufacturers, however, do not think the 0.5 per cent rate cut is large enough to immediately boost spending significantly. "It means [the UK economy] is moving in the right direction," said Panasonic, the Japanese-owned consumer electronics group. But the rate cut was not big enough to have a significant impact because people still felt that the economy was depressed and would take time to recover.

Canon, the Japanese camera and office equipment maker which has been hit by a tendency among businesses to postpone investment decisions during the recession, said: *"Obviously it's good in that* hopefully it will stimulate some kind of recovery."

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Parties vie for local government votes

By Alison Smith

BRITAIN'S three main political parties sought to portray themselves as efficient providers of local services yesterday as they prepared for council elections across the UK on Thursday.

At the end of a low-key election campaign, marked by the parties' determination to get their supporters to vote rather than to make mass converts, each re-emphasised its traditional areas of appeal.

Mr John Redwood, the local *government minister*, illustrated the Tories' central message that Conservative councils *cost less, with figures* showing that most of the Labour and Liberal Democrat councils were overspending – according to central government estimates of spending needs.

Labour, meanwhile, highlighted the provision of personal social services by in councils it controls, and warned that some Tory councils were choosing not to provide services such as nursery education.

Both the opposition parties insist that in spite of the government's determination to impose its policies on local authorities, the political complexion *of councils still* matters, because they could act as "buffers" against central government decisions.

In a signal that ministers intend to maintain their tight controls on local government spending, Mr Redwood also emphasised the importance of local authorities' discretion in deciding how to allocate the funds within the total spent.

Mr Paddy Ashdown, the Liberal Democrat leader, spoke of "restrained optimism", as the party repeated its claims of low morale among Labour workers.

The Liberal Democrats, however, predict that they will make more gains from the Tories than from Labour, because the Tories hold more of the seats being contested this time.

Mr Cunningham responded by referring to potential demoralisation among Liberal Democrats, saying that the party "spent the campaign boasting about how well it was going to do and actually lost ground significantly."

● Mr Jim Wallace, MP for Orkney and Shetland, is to become leader of the Scottish Liberal Democrats, it was announced yesterday. Mr Wallace, whose term of office will initially be for two years, takes over from Mr Malcolm Bruce, the MP for Gordon.

Britain in brief

Lucas venture to create 500 jobs in Wales

Nearly 500 jobs are to be created in West Glamorgan, Wales as a result of a Lucas joint venture company with Sumitomo Electrical Industries of Japan winning a second large contract to supply wiring systems to Japanese car plants in the UK.

The contract for Lucas SEI Wiring Systems, based at Ystradgynlais, is worth £20m a year.

The plant will supply Honda's manufacturing plant at Swindon, western England, due to go on stream in the autumn, with the main wiring system for the Synchro, the new saloon Honda expects to building at a rate of 100,000 a year by the mid-1990s.

Cut in National Saving returns

National Savings is cutting the returns on most of its products, in a move linked to the reduction in base rates.

The government department said the rates it offered had diverged from the rest of the savings market.

Home loans and savings institution – building society – executives have complained recently that they were finding it difficult to compete with the attractive, and in many cases tax-free, National Savings products.

Visa plans phone service

Holders of Visa credit and debit cards will soon be able to pay for domestic and international telephone calls on their card account under a deal between British Telecom and Visa International.

VisaPhone, a service already available in the US, which allows callers to provide their card number and a four digit identification number to pay for calls, will be fully introduced in the UK early in 1993.

Visitors to the UK will also be able to bill the cost of their calls to their Visa card in local currency.

By using the VisaPhone, callers *should be able to save* additional charges such as those on reverse charge calls *or the high charges for* long-distance telephone calls made by many hotels.

Names step up legal action

Names on the troubled Outhwaite syndicate who missed out on February's £116m out-of-court settlement – the so-called "non-litigating Names" – have agreed to step up their own legal action to recover losses.

Writs alleging negligence by the Outhwaite Underwriting Agency and 81 other members' agencies, were issued on behalf of 393 Names last week.

Mr Eddie Kulukundis, yesterday elected chairman of the 1992 Outhwaite Names' Association, said that the group will now aim to enlist as many of the 627 non-litigants to the action before serving the writs within the next four months.

Meanwhile, hearings in the long-running Oakeley Vaughan case yesterday resumed in the Commercial Court.

Union to fight Sunday law

The shop workers' union, Usdaw, has moved to counter government proposals for legislation to expand Sunday trading, expected in today's Queen's speech.

Delegates at the union's annual conference unanimously backed their executive committee's call to move the focus of the anti-Sunday trading *campaign to influencing* new legislation and away from simple condemnation of shops which were trading illegally.

Review urged on pension rules

Mr Michael Meacher, Labour's social security secretary, called on the government not to be deterred by corporate "blackmail" from introducing an effective regulatory framework for company pension schemes.

He has written to Mr Peter Lilley, social services secretary, denouncing a threat – by the 100 Group of finance directors – of lower corporate contributions if companies were no longer allowed to use pension fund surpluses for their own benefit, as "a public outrage".

Mr Meacher pressed for an announcement in the Queen's speech that the first session of the *new parliament opening* today would include legislation for the proper regulatory *framework for company pension* schemes which the Maxwell and other cases had shown was urgently needed.

UK reserves increase

Britain's gold and foreign currency reserves rose by an underlying \$63m last month.

The overall level – which includes cash gained from sales of Ecu-denominated Treasury bills and other changes – rose by \$748m to reach \$45.8bn on April 30.

Texaco plans drug testing

Random drug and alcohol tests on employees carrying out *potentially dangerous work are* to be introduced at the UK subsidiary of Texaco, the US oil company.

The latest issue of the magazine Personnel Today says that from next August, Texaco will carry out the tests, without notice, on its own employees as well as contractors and staff from other firms working for the company.

About 400 out of the top 500 US companies screen staff for drugs.

Plea for incentives

A renewed call for incentives to help smaller companies invest in manufacturing technology has been made by Sir Ronald Halstead, president of the Engineering Industries Association and deputy chairman of British Steel.

The plea, coupled with strong criticism of UK banks for their attitude towards smaller companies, echoes the campaign in the machine tool industry for investment incentives to encourage purchases of manufacturing equipment.

Fall in pay for young

The pay of young adults aged between 18 and 20 has fallen *sharply as a proportion of* adult wages since 1979, according to data collected by the *Low Pay Unit, the research* group.

The fall, from 61 per cent to *53 per cent of adult wages*, has been greeted by some economists and employers as an important step towards increasing the number of training places for young people.

Ms Vivien Marshall, head of education and training at the Engineering Employers Federation, said: "This is an encouraging sign, which could lead to more, and better-quality, training places."

More ethical codes seen

The proportion of large companies with a written ethical *code is rising sharply and* stands at nearly 30 per cent, according to a recent survey.

Relationships with employees and customers, and on sexual harassment dominate ethi*cal codes, according to the* study by the Institute of Business Ethics, a business think-tank. *Very few mentioned* duties to shareholders.

Cheques found in rubbish skip

Bank of Scotland said it could not explain how 30 envelopes containing cheques for payment for the second instalment of ScottishPower shares came to be dumped in a rubbish skip in Edinburgh last week.

The unopened envelopes were spotted by a refuse worker in a skip.

Bank of Scotland is handling the payment of the second instalment of 70p on shares in ScottishPower and Scottish Hydro-Electric, which was due by April 29. Altogether, 1.8m payment notices were issued for the two companies.

Bank of Scotland said the police were investigating the incident. Shareholders who did not receive certificates by May 15 should contact the bank.

BUSINESS AND THE ENVIRONMENT

Raise your glasses to clean water

Anglian Water is hoping to benefit from tough European Community rules on water purity by meeting the demand for cost-effective technology to remove pesticides from drinking water supplies.

The UK water group, which operates in a largely agricultural area and has developed particular expertise in removing contaminants, has set up a joint venture with Humphreys & Glasgow International, a subsidiary of US-based Enserch.

The 50:50 joint venture company, Anglian H&G, will market its technology in the use and regeneration of granular activated carbon (GAC), which until now has been used mainly to improve the taste and colour of drinking water.

But researchers have discovered that GAC is effective in absorbing pesticides, herbicides and other contaminants in the water supply. It works by attracting and capturing the molecules of contaminants in millions of tiny holes.

One of the biggest challenges which Anglian and H&G have addressed is how to ensure that the GAC is replenished before it becomes saturated and stops working. A separate research and development programme undertaken by Anglian with Severn Trent Water has produced a reliable method for removing the spent carbon from a filtration plant and regenerating it in a furnace for recycling.

H&G has built a pilot plant for Anglian and Severn Trent Water at Grafham near Huntingdon which is capable of handling 10 tonnes of GAC a day. Jim Peddie, managing director of Anglian Water Commercial Developments, estimates that in the UK alone there is a need for 10 plants of this size.

Over the next few years drinking water throughout Europe must meet standards laid down by the EC which set a maximum admissible concentrations (Mac) for a range of contaminants. The new pesticide Mac requires less than 0.1 micrograms per litre compared with the old rules before 1989 which allowed up to 30 micrograms per litre.

Paul Taylor

Stuck with the bill

Europe's insurers could learn from US experience, says **Richard Lapper**

Insurers at Lloyd's of London breathed a sigh of relief last month after a New Jersey court ruled that they were not liable for the costs of a $100m (£56m) environmental clean-up. Market leaders believe that the case – involving the chemical company Diamond Shamrock, which manufactured herbicides including agent orange at its Newark plant – could reflect a change in US legal opinion.

John Wetherell, chairman of the Lloyd's non-marine underwriters association, says he senses that the complex and drawn-out legal battle between insurers and US industry about who should pay the bill to clean up America could be moving in favour of insurers.

The issue is crucial for Lloyd's – which is among dozens of US and European insurers which face potentially crippling losses if the US courts order insurers to pay costs estimated by Tillinghast, Nelson & Warren, the US actuarial consultants at between $41bn and $1tn (million million).

But many observers are less sanguine than Wetherell. Specialist environmental lawyers and insurers point out that the underlying trend of legal settlements in the US is favouring policyholders. Worse still, European insurers also face potentially heavy exposures nearer home as the cost of European industrial clean-up becomes clearer.

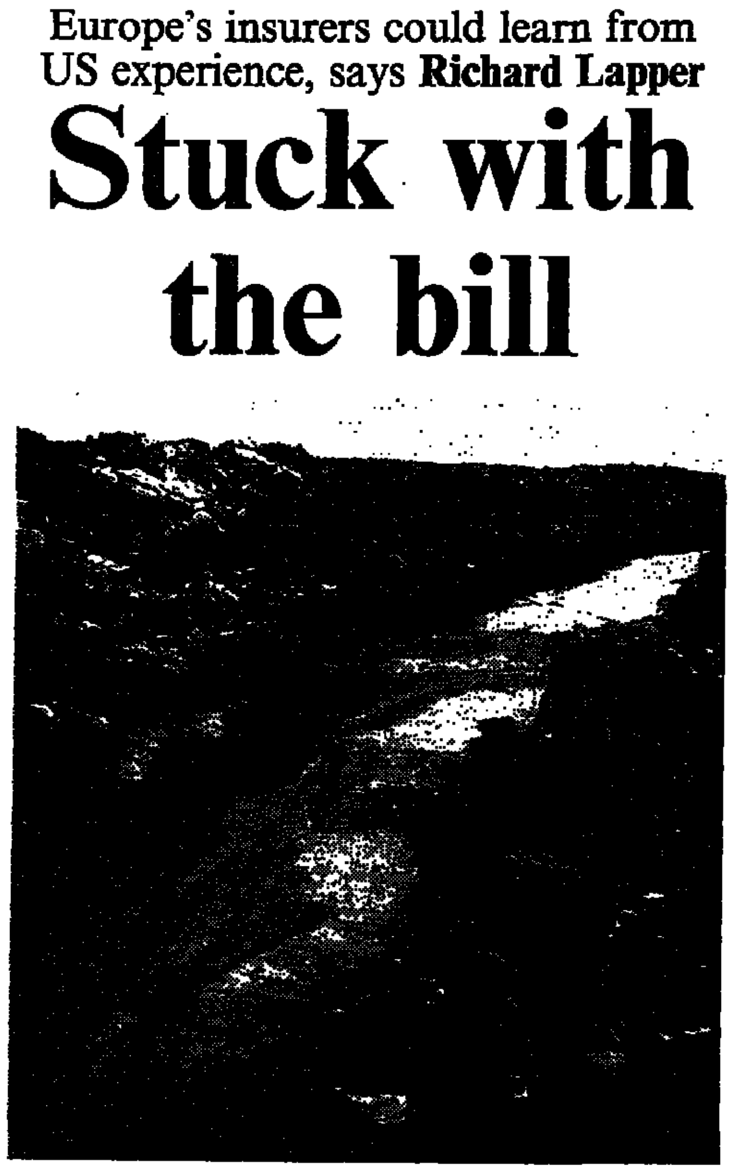
Dawn Enright, a US lawyer working with London-based Cameron Markby Hewitt, says British insurers in particular are "not doing enough to protect themselves. They have a chance to look and learn from the US experience. They have been lucky so far but this could change".

Since 1980 when the US government introduced the so-called "Superfund" laws to make the "polluter pay" for environmental clean-up, the US industry has been attempting to offload the cost on to its insurers. The trend of rulings on a number of basic issues gives the insurance industry little cause for comfort.

The majority of legal opinions have favoured policy holders on one fundamental issue: whether government-ordered clean-ups constitute insured damages under the terms of comprehensive general liability (CGL) policies.

Six out of eight state high courts – California, Massachusetts, Minnesota, North Carolina, Washington and most recently Iowa – have said that government-mandated costs are covered under the CGL policies. High Courts in Maine and New Hampshire have ruled that the costs are not covered.

In addition, four federal appeals courts have found they are covered. Only two have said that they are not.



The UK has between 50,000-100,000 contaminated sites, many of which will be the subject of complex and drawn-out legal battles

US insurers altered the CGL wording in the early 1970s, restricting coverage to "sudden and accidental pollution". But even in cases involving these policies the courts have sometimes ruled in favour of policyholders. Enright points out that the terms "sudden and accidental" are ambiguous. While insurers were intending to offer cover for sudden discharges of pollutants, courts have often tended to support policyholder interpretations in which the term "sudden" has meant sudden discovery of gradual pollution.

Insurers have also lost out on a third issue: whether a company being sued for the cost of cleaning up hazardous waste sites can claim on all its policies from the time the pollution begins to the point at which liability is known, the so-called "continuous trigger".

Lawyers and specialists believe that increasingly the insurance industry will need to focus its energy not on defence of general issues but on the facts of particular cases of pollution, where it can prove – as in the Diamond Shamrock case – that pollution was deliberate.

"Courts are becoming sensitised to the factual circumstances of each case. Where the pollution can be shown to be expected or intended, insurers can be let off the hook," says Peter Burgin, a lawyer with LeBoeuf, Lamb, Leiby & MacRae in New York.

However insurers will see legal costs rise as they step up their defences. Increasingly environmental litigation will be on a case-by-case basis. "It will be like trench warfare. Costly and long drawn out," says Burgin.

In Europe there is little doubt that the cost of environmental clean-up will be considerable: UK consultants Ecotec estimate that the UK has between 50,000 and 100,000 contaminated sites, with a total area of 100,000 hectares. Germany has 140,000 contaminated sites and the Netherlands has 100,000.

Although the shape of European legal framework is still unclear – with initiatives at national and European level creating a complicated patchwork of laws – in several countries a much tougher regime of pollution control and remediation is at hand.

Section 61 of Britain's Environmental Protection Act of November 1990 permits local authorities to recover the costs incurred in site clean-ups from the site owner, for example.

A draft European Commission green paper prepared this year starts from the recognition that something must be done to clean up what it calls "the legacy of environmental damage from the past".

In addition, several features of both national and EC legislation could encourage litigation. For example, in the UK the Environmental Protection Act of 1990 has introduced a more rigorous regime of pollution control in which local authorities will be forced to build up detailed registers of polluted sites.

Brian Street, an environmental insurance specialist with Reliance National in the UK, says the new UK legislation "will greatly increase the power of pressure groups to bring civil proceedings." Moreover, some critics believe that insurers are complacent about the problem.

Many UK companies, for example, have continued to underwrite public liability policies which, by not excluding pollution, in effect offer the broadest possible insurance coverage.

Except for installations where there was a perceived risk of pollution, such as a chemical plant, restrictions of coverage to sudden and accidental damage have been generally introduced only since 1990, a delay which Randolph Fields, a American lawyer specialising in environmental law, describes as "inexplicable".

Both Street and Fields believe UK insurers could face potentially massive losses. Fields says liability claims deriving from "carte blanche underwriting of unrestricted pollution liability insurance in the UK between 1930 and 1990" are of potentially "catastrophic proportions".

What seems certain is that what one Lloyd's underwriter calls the "sins of the past" will haunt insurers for some time to come.

Wiping out pollution from the ground up

By Andrew Fisher

Much of the industrialised world is a dirty place. In recent years, western governments have forced companies to cut drastically their emissions of gases, chemicals and other pollutants into the air and water.

But what happens to the mess left in the ground when a company moves, closes down, or decides to change its ways after operating on the same site for years? The area is often unfit for industrial or other use and a costly, time-consuming, clean-up process is needed.

Although the extreme environmental problems of eastern Europe have received most recent attention – these range from fetid air to unsafe nuclear power stations – there are plenty of problem sites in the west. One company which specialises in cleaning them up is Lurgi Umwelt-Beteiligung (LUB), though it has plenty of competition from other companies.

LUB can draw on the depth of experience in ore processing of its Lurgi parent company, part of the Metallgesellschaft group. As yet, decontamination is an industry in its infancy, but the scale of the problem and the tightening up of regulations across Europe is likely to bring about an escalation of business. LUB reckons some 130,000 former industrial sites probably need cleaning up in Germany alone. In perhaps 10 per cent, this should be done quickly to avert potential health risks.

Some 130,000 former industrial sites need cleaning up in Germany alone. About 30,000 are in east Germany, but more than 90,000 are in the western part

About 30,000 of these areas are in east Germany, which has some of the most notorious pollution in Europe. But more than 90,000 are in west Germany; causing the contamination has been a variety of industries such as smelting, chemicals and power generation.

LUB's process is called Deconterra. It works by running the soil though a big rotating drum filled only with water. Through the vigorous scrubbing process, the contaminant materials fall off the large particles and become attached to the small ones. The unpurified particles are sent through further attrition and flotation processes, ending up in a foam discharge which is drawn off in concentrated form.

Lurgi says between 65 and 85 per cent of contaminated soil on a given site can be cleaned in this way. Apart from continuing work near its own headquarters at the edge of Frankfurt, formerly a copper processing plant, it is also cleaning up a coking coal site in Bochum in the Ruhr and an area in Bavaria contaminated with mercury.

Perhaps its most exciting project is the reclamation of areas in the Hesse town of Stadtallendorf, the location of Germany's biggest explosives plant in the Second World War and where much of the ground contains trinitrotoluene (TNT). Yet mechanical soil-washing processes like Deconterra, which deals mainly with organic chemicals, cannot cope with all problems. Biological and thermal treatment, which LUB does not do, is also needed for some types of contamination such as heavy metals and fuel-oils.

In east Germany, the scope for decontamination seems boundless. "There is a huge need," says Hartmut Witte, the head of LUB, "but there is no money." The states there do not have the funds for a wholescale clean-up. The situation is worse in the rest of east Europe, which has even less money available. Thus Witte is looking elsewhere for immediate foreign expansion. As EC and national rules are stiffened, dumping charges will become prohibitive and most companies wanting to prepare sites for future use will prefer to have them cleaned up. Denmark and the Netherlands, which have even tougher laws than Germany on ground contamination, are likely markets, as are France and the UK.

But he also has his sights set on the US, where LUB is operating test sites for eventual acceptance of Deconterra by the Environmental Protection Agency. Its partner there is Horsehead Resources, in which Metallgesellschaft has a large minority stake.

To make its process more manageable, LUB has developed mobile units for areas with small soil volumes. These would be suitable not only for Europe but also the US. Moreover, several west German states want to set up regional decontamination centres which would need mobile units to transport the soil. LUB is keen to help operate these.

PEOPLE

Chipping away at Fortress Germany

S G Warburg has hired Michael Treichl, previously a managing director at Merrill Lynch in New York, to head up its German corporate finance activities, initially from London.

Treichl arrived firmly on the German merger and acquisition scene a couple of years ago with the Pirelli debacle. Merrill was one of the Italians' advisers in the -in all but name - hostile, and unsuccessful, bid for German tyre company Continental. Firmly identified with those chipping away at Fortress Germany, he is well respected by anyone who advocates greater transparency and shareholder democracy among German companies.

He joins Warburgs attracted by "the firm's name..and its special historical links to Germany" and will move to Munich in a year or two as the business builds.

While competitors sniff that it has yet to make its mark as a European rather than a UK merchant bank, Warburgs has quietly been assembling some of the juicier mandates around. The privatisation of east German hotel chain Interhotel for instance was a Warburg deal. Probably the most interesting current mandate in Treichl's new stable is Aachener & Münchener, which retained the UK merchant bank after French insurer AGF assembled its 25 per cent stake.

Viennese by birth, with an education spanning Eton, Vienna University and Harvard, Treichl, who is now nearly 41, once turned down a job offer from Sir Siegmund Warburg because he wanted to work in America; he joined White Weld in New York instead. His subsequent career took him via CSFB in London and Tokyo, and back to New York for Lazard Frères - where among a long list of big name deals he also admits to having advised Midland on the ill-starred Crocker purchase.

He had been at Merrill since 1988 on the international M & A side, and claims to have parted amicably. He tots up the value of completed transactions to his name as "nearly DM70bn" (£24bn).

London's loss

Hamish Leslie Melville is another in a recent series of London fund managers who are retiring from the city to take senior posts in Edinburgh in their middle age. Leslie Melville, who is 47, yesterday joined Dunedin Fund Managers, which is part of British Linen Bank, a subsidiary of Bank of Scotland, and will succeed Donald Marr (61) as its chairman in July.

Until the end of last year Leslie Melville, a Scot, was chairman of Capel Cure Myers Capital Management. Earlier in his career he had spent 15 years with Hambros Bank (his mother was a Hambro) and was subsequently founder and chief executive of Enskilda Securities, an international merchant bank.

Leslie Melville is following a similar path to James Dawnay, 45 and with Scottish connections, who was chairman of Mercury Fund Managers until late last year.

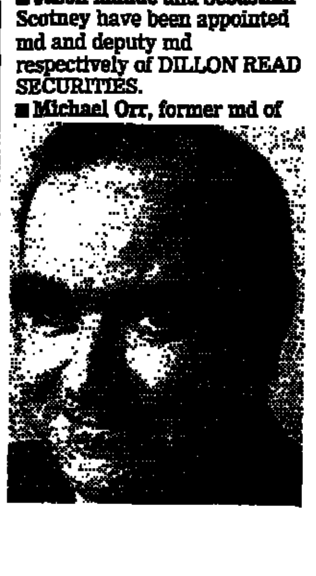
He has joined the board of Martin Currie, another Edinburgh fund management company, where he has become director of corporate development, as well as becoming vice-president of Martin Currie Inc, which manages the group's North American business.

■ AUTOMATED SECURITY (Holdings), suppliers of burglar alarms and other security appliances, has named Lord Lane of Horsell (above) to the board in the course of its promise to expand the number of non- executive directors. Lord Lane, formerly senior partner of BDO Binder Hamlyn, is chairman of Brent Chemicals International and deputy chairman of More O' Ferrall.

Finance moves

■ Jason Mande and Sebastian Scotney have been appointed md and deputy md respectively of DILLON READ SECURITIES.

■ Michael Orr, former md of Merrill Lynch Europe and currently chairman of Molins, has been appointed a director of GOVETT STRATEGIC INVESTMENT TRUST.



■ Hans Peterson, a portfolio manager with Ostgota Enskilda Bank, has been appointed a director of LAZARD FUND MANAGERS.

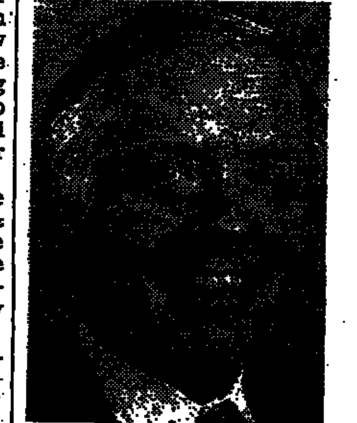
■ Moira Lees has been appointed secretary of UNITY TRUST BANK.

■ Simon Kingdon has been appointed md of the NATIONAL MORTGAGE BANK.

■ Andrew Watson (left) has been appointed md of PROLIFIC UNIT TRUST MANAGERS while remaining administration director of Prolific Asset Management.

■ The following have been made directors at CHARTERHOUSE: Lorraine Bailey; Clive Forestier-Walker; David Hall; Philip Hebson; John Lawson; Alan Monk; Chris Walker.

Old Lady's Scottish ears



David Shilson, a Bank of England veteran, is to replace Nigel Falls, as the Bank's eyes and ears in Scotland. He takes over as agent at the Bank's Glasgow office on 18 May.

For diplomatic reasons the Bank of England has never established a full branch north of the border, but despite the small size of its Glasgow outfit, Shilson will be more important than many of the Bank's other agents around the United Kingdom. Charged with liaising with local industry, one of his main tasks will be to help monitor the health of the local economy at a particularly sensitive time in Scotland's political affairs.

While not a Scot, Shilson did study classics at St Andrews University. Aged 54, he is considerably older and more experienced than Aberdeen-born Nigel Falls, 46, who spent five years as the previous agent.

Having joined the Bank in 1961, Shilson has worked in the Overseas Department, the Economic Intelligence Department and the Industrial Finance Division where he was an adviser responsible for the financing of small firms. In between he was seconded to the Cabinet Office for three years and the National Economic Development Office for two and a half years. His most recent job at the Bank was as career development adviser.

■ Ruth May has been appointed Regional Liaison Manager for the Midlands and Western Region of the London Stock Exchange.

FT LAW REPORTS

Digest of cases reported in Hilary Term

TICKHURST AND ANOTHER v BRITISH TELECOMMUNICATIONS PLC
(FT, April 1)

About 30,000 of the 40,000 executives employed by BT in certain grades were represented by the Society of Telecom Executives (STE), a trade union. From about June 1989, in order to seek a pay increase, its members took part in industrial action short of striking, described as "withdrawal of goodwill". Two managers were awarded wages after the judge at first instance found that their refusal to sign an undertaking not to take any further industrial action was not a breach of contract. The Court of Appeal accepted BT's contention that if an employee was willing to perform only part of his or her duties, or declined to carry them out properly with the object of damaging the employer's business, the employer was not obliged to accept performance short of full performance and was entitled to refuse to permit the employee to work and to refuse to pay wages.

PRESIDENT OF INDIA v JADRANSKA SLOBODNA PLOVIDBA
(FT, April 3)

Disputes arising between charterers and shipowners under a charterparty were referred to arbitration in London. By an interim award, the charterers were ordered to pay to the owners $3,142 and the arbitrators then made a subsequent "final award as to costs". That award was substantially adverse to the charterers who issued a notice of motion for an order that it be remitted to the arbitrators on the ground of misconduct under section 22 of the Arbitration Act 1950. The arbitrators had separately furnished the parties with "confidential" reasons for their decision. Refusing the charterers' application, Mr Justice Hobhouse stated that where, as here, there had been a separate award on costs, the parties had to follow the procedures and requirements of section 1 of 1979 Arbitration Act and that required satisfying stringent criteria for grant of leave (see The Nema [1982] AC 724). The section 22 procedure might only be invoked where there had been some actual misconduct, such as excess of jurisdiction, procedural mishap, breach of natural justice, or failure to complete, and not simply some alleged unjudicial exercise of the discretion.

ASHMORE AND OTHERS v CORPORATION OF LLOYD'S
(FT, April 7)

The plaintiffs, who became Lloyd's Names at various times between January 1971 and December 1981, were members of syndicates managed by Oakeley Vaughan (Underwriting) Ltd. They claimed damages from Lloyd's for losses on insurance contracts entered into by OVU as managing agent in 1980-83. The plaintiffs appealed against the judge's order that the preliminary points of law be argued as to whether Lloyd's owed them the alleged duties and the Court of Appeal set aside that order. Allowing Lloyd's appeal that the order be restored, the House of Lords stated that there had been a tendency in some cases for legal advisers, pressed by clients, to make every point conceivable and inconceivable without judgment or discrimination. Where a judge for reasons which were not plainly wrong made an interlocutory decision in the trial courts, it should be respected by the parties and, if challenged by them, it should be upheld by an appellate court unless the judge was plainly wrong.

OWENS BANK LTD v BRACCO AND ANOTHER
(FT, April 8)

The bank had applied to register a judgment of the St Vincent High Court against Mr Bracco and Bracco Industria for more than SFr10m. After initial registration, Bracco applied for an issue to be tried under section 9(2)(d) of the Administration of Justice Act 1920 as to whether the St Vincent judgment had been obtained by fraud. At first instance and in the Court of Appeal, it was held that the issue should be tried. Dismissing the bank's appeal, the House of Lords stated that an English judgment was final and conclusive as to the issues decided and it was to preserve that finality that any attempt to reopen litigation, even on the grounds of fraud, had to be confined within very restrictive limits. However, under section 9(2)(d) of the Administration of Justice Act 1920, construed as it must be, as an adoption of the common law approach to foreign judgments, finality to a judgment was specifically denied if it could be shown to have been obtained by fraud.

GRAZIELLA FERRAZ
(FT, April 10)

Pursuant to an arbitration clause in a charterparty, the charterers and shipowners each appointed an arbitrator and the two arbitrators then appointed a third one. However, since the interim final award was issued the arbitrator appointed by the charterers died and they then nominated another person in his stead and asked a declaration from the court that it was a valid appointment under section 7 (a) of the Arbitration Act 1950. Refusing the application but making an order under section 10(1)(b) of the Act appointing the replacement, Hirst J stated that the charterers could not invoke section 7 as that provision applied to two and not to three arbitrators. There was a lacuna in arbitration procedure and the drawbacks were exemplified by the present case where, in addition to the costs incurred in relation to the originating summons itself, the charterers had to undertake two expensive service processes out of the jurisdiction in order to invoke section 10, rather than the very simple and inexpensive procedure under section 7.

REGINA v PANEL ON TAKE-OVERS AND MERGERS, EX PARTE FAYED AND OTHERS
(FT, April 14)

In 1987, Lonrho issued a writ against the Fayed brothers alleging that they had induced the secretary of state to refrain from referring the proposed acquisition to the MMC by means of false representations about themselves, their background and their source of finance. The writ claimed for the lost opportunity to acquire House of Fraser and sought damages for interference with business by unlawful means. A DTI report, of inspectors appointed to investigate the circumstances surrounding acquisition of the shares, was severely critical of the Fayeds. In 1991, in response to the Takeover Panel's allegations of possible breaches of the City Code, lawyers for the Fayeds sought an adjournment on the ground that the Panel's finding might prejudice their clients' position in the 1987 litigation but the application was refused. On the Fayeds' unsuccessful application to the Court of Appeal, it was held that a court could intervene to prevent injustice where continuation of one set of proceedings might prejudice the fair trial of another. But it was a power which had to be exercised with great care, and only where there was a real risk of serious prejudice which might lead to injustice.

THE LEFTHERO
(FT, April 15)

Clause 28 of a charterparty provided that neither the vessel, the owners, master nor charterers should be responsible for any delay resulting from "Act of God, act of war, perils of the seas . . . restraint of princes . . . ." In the instant case, at the height of the Iran-Iraq war, the vessel was bound for Bandar Khomeini from Bandar Abbas but had to discharge at Bushire after two attempts to make the port. The arbitrators held that the action in requiring the vessel to return to Bushire fell within "restraint of princes" clause with reference to the charterers' claim for damages for the owners' failure to discharge at Bandar Khomeini. However, they held that the clause did not protect the charterers on the owners' counterclaim for demurrage. Their decision was reversed at first in stance. While on the face of it the words of clause 28 were wide enough to cover charterers' delay in discharging where it arose from restraint of princes, it had long been the law that to protect a charterer against liability for demurrage, the language of the exceptions clause had to be clearly worded to that effect. Moreover, the Court of Appeal stated in allowing the owners' appeal and holding that the charterers were liable to them for demurrage, the general rule was applicable even though the vessel was not already on demurrage when the peril operated.

Aviva Golden

Christopher Lorenz looks at the transformation of Nestlé

Lean regime for a fitter future

For a company which has a reputation for Swiss conservatism, Nestlé has developed a remarkable habit of stirring things up.

Controversial takeovers in the US, UK and Italy of famous brand companies such as Carnation, Rowntree and Buitoni have now been followed by an even bigger *cause célèbre:* this year's successful battle royal in France for Perrier, against the Italian house of Agnelli.

While the outside world had its eyes glued on the Perrier saga, Nestlé's stirrers were hard at work on a much quieter but more important front: themselves. Or, more precisely, the way their 1,600-person head office is organised, and the methods by which it wields influence over Nestlé's vast empire in more than 100 countries.

One top manager at the normally placid corporate headquarters in Vevey, on the banks of Lake Geneva, calls the reorganisation "the biggest revolution at Nestlé for 30 years". Not surprisingly, he says that "it provoked a lot of internal resistance when it was first announced" – both at head office and out in the markets.

Appropriately for the manufacturer of a product line called Lean Cuisine, the purpose of the reorganisation is to make Nestlé slimmer, faster and more coherent. From a belt and braces giant which one of its critics complains "is rarely first with any new product", the company is trying to turn itself into a low cost, fleet-footed innovator.

Not only that, but with the regionalisation of markets in Europe and elsewhere – in some, though not all, product lines – Nestlé also wants to overcome its version of the eternal "not invented here" syndrome.

This besets companies in many industries, but nowhere more than in food, where the phenomenon encourages managers in one country to be slow to introduce products which have been successful in others.

To accomplish this ambitious transformation, Nestlé has taken five main actions:

● It has abandoned its proud but outdated history of organising its head office, and some of its country companies, on the basis of strong, functional departments such as financial control and production. Instead of allowing such specialists complete control of virtually everything that is done out in the field, most of their empires are being cut back to the bone.

● Some of their members have been transferred to seven newly-created "strategic business units" (SBUs). Each of these has worldwide strategic (but not operational) responsibility for a particular set of businesses; one will deal with coffee and beverages, for example, and another with food. With a full range of functional expertise now integrated under their command, including research co-ordinators as well as production and marketing staff, these SBUs will practise what is known in management parlance as "product management". Though arch-rivals such as Unilever and Procter & Gamble mastered this activity decades ago, Nestlé has never quite managed to do so.

The SBUs replace Nestlé's previous, half-hearted HQ effort at product management. This took the form of units misleadingly called "product divisions". In fact, they were merely advisory think tanks, mainly about marketing. "Their managers had a very frustrating time – they had no way of imposing anything," says Reto Domeniconi, Nestlé's finance and administration director, who has overseen the head office reorganisation project.

The only functional department which is not being dismembered is research and development, although its co-ordinators are being moved to the SBUs. Most of its other staff are already decentralised around the world.

● On the operational front, it is giving its regional management units much greater clout than before over the country companies beneath them. In the past, Nestlé's regional managers had inadequate staff to exercise their influence properly, even though all communications between head office and country companies had to go through them. As a result, they were "drowning in paper" as one insider puts it. Caught between powerful countries and muscular functional barons at headquarters, the various zone managements became bottlenecks in the decision making process, rather than the weighty players they were supposed to be. Now they, like the SBUs, will have staff drawn from several of the previous HQ functional departments. The European zone will also have special transnational co-ordination groups for selected products, such as confectionery and petfood.

● As a result of these changes, Nestlé is in the process of cutting the size of its headquarters by more than 12 per cent from the 1,600 registered last October. The original target was lower, but initial experience with the new organisation has shown how many – or few – people are actually needed. Of the 200-job reduction, about 30 will be transferred to country managements.

● It is encouraging the principle of "business asymmetry": the idea that each business unit can be organised differently, depending on its particular characteristics and needs; its degree of novelty or maturity, its market share, its technology-intensity, and so on. Previously the functional barons at headquarters enforced a blanket "Nestlé way" of doing things.

This encouraged functional excellence, but it also landed many businesses and countries with cost structures and decision making procedures that were totally unsuitable. The production function, probably the most powerful in the company, was especially at fault here. One insider complains of its "cumbersome gold tap and bath plug mentality".

In essence, Nestlé's reorganisation is a customised variation on an eternal organisational challenge which besets all companies of any size: constant tension between centralisation and decentralisation. There is no single "correct" combination of the two: it varies according to circumstances and over time.

Nestlé's reorganisation is summed up with characteristic Itallanate gusto by Camillo Pagano, its much respected former marketing chief, who has just retired.

"We needed to find the right balance between the dogma of the Vatican and the energy of the periphery," he says. For the moment, anyway, Nestlé may possibly have done so.

How the new-style hard centre was made more digestible

There is plenty in Nestlé's reorganisation from which other companies can learn, even if at first sight the company appears to its competitors at Unilever, Procter & Gamble, Philip Morris and so on to be doing little that is original – "stepping cautiously into the 1980s", as one wag puts it.

Nestlé's critics are right that the abandonment of functionalism was well overdue; it survived so long only because it was such an enshrined part of Nestlé's custom and practice. In the 1980s Helmut Maucher, the group's redoubtable chairman and chief executive, sometimes appeared to share the exaggerated view of some business academics that really good managers can make almost any structure work. Only in 1989 did he and his top colleagues finally become so frustrated with the old structure that they called in McKinsey, the management consultancy, to advise them how to streamline it.

In terms of organisational theory, the previous structure was considerably more complex than the "one single, clear line of power" that Maucher has always believed in. It was either three- or four-dimensional, depending on how you depict it.

A 4-D picture is probably appropriate, given the way in which two headquarters groups (strong functions and weak "product management") tussled with each other for influence over the organisation's geographic side. The latter, in turn, actually consisted not of one line of power, but of two uneasy partners: regions and countries, which also often tussled with each other.

Nestlé's new structure is two-dimensional, with the product divisions on one side and, on the other, regional units with much-enhanced influence over the countries.

In the context of the food industry, which still needs to be ultra-responsive to differences in local market habits and demands, this change is almost as significant as the more dramatic-looking structural shifts of multinationals in other industries. With a higher proportion of global products than Nestlé, ICI, US General Electric and others have felt able recently to abandon their messy two-dimensional matrices in favour of simpler, virtually one-dimensional, structures.

In such companies, regional or global businesses now have clear priority (are "prime", in ICI-speak), while the geographic dimension holds sway only over services and perhaps some aspects of sales and marketing.

All the same, there *is* manifest pressure within Nestlé, as at its competitors, to create as many cross-border products as possible. Hence, in part, this spring's nomination for the first time of a chief operating officer to serve immediately under Helmut Maucher, with special responsibility for food.

Chewing over the fat

HEALTH CHECK

There is more to obesity than meets the eye. Simply being overweight does not in itself increase the dangers of heart disease unless it is accompanied by high blood pressure, diabetes or high levels of cholesterol. There are different types of obesity, and some are more risky than others.

There are two main sorts of fat distribution: "android" apple-shaped distribution, where most of the fat is concentrated around the waist, and "gynoid", which is more pear shaped with the fat distributed all over, although particularly on the lower part of the body.

Evidence over the last two decades suggests that apple-shaped people are more vulnerable to heart disease than the pear-shaped type. Some studies conclude that an otherwise slim person with a bulging mid-drift may be in greater danger than someone who is fat all over. Women are at less risk than men: they can carry up to 25 kilograms more fat without increasing their chances of heart disease because of their more pear-shaped distribution.

To find out which type you are, take your waist measurement and divide it by the hip measurement. Men are classified as "upper body obese" if the waste-hip ratio (WHR) is more than 0.95, and women, if they are more than 0.85.

The best remedy, as with all weight problems, is gently to cut the number of calories consumed, and to increase the number used up through regular exercise. Remember that your bathroom scales will be of no help, as muscle is heavier than fat. This means that as you exercise, you may find you gain weight. Instead use the WHR – or attend to how tight your belt is – to gauge your success.

Dr Michael McGannon

The author is the medical director of the Insead Business Health course.

TELEVISION

Hollow laughter

Anyone who has ever worked for *The Times* or *Punch* has had to grow used to the comment "Ah, yes, a great institution, but not what it was, of course". The same is often said of British television comedy and the right response is the one that was first coined for *The Times* as long ago as the 19th century: "True, but then it never was". The thought is prompted by the appearance of two new situation comedies – *Side By Side* and *Don't Tell Father* – in a week that also brought repeat episodes of *George And The Dragon* (1966), *Please Sir!* (1968) and *On The Buses* (1970).

Those last three date from the period which is often identified as the golden age of British television comedy, but this seems to owe more to rose tinted spectacles than to reality. There are probably three reasons for the period's inflated reputation. First, at almost all times there has been one outstanding comedy on British television (*Blackadder Goes Forth, Fawlty Towers, The Good Life, Dad's Army* and so on) but during the 1960s there were two: *Steptoe And Son* and *Till Death Us Do Part*, and somehow two seemed much more than twice as many as one. Secondly, there was much less television in those days and far fewer sitcoms around, a dozen perhaps. Two as a proportion of 12 is much more impressive than two would be today as a proportion of 40 or 50. Thirdly, both series were sold under format deals to the Americans and became highly successful in the US. This more than anything has caused those in the industry to shake their heads ruefully and tell stories to newcomers of what it was like in the good old days when British comedy was top.

Yet judging from *George And The Dragon, Please Sir!* and *On The Buses* they must have felt like the bad old days much of the time to any moderately intelligent viewer. In *George And The Dragon* Sid James played a butler (old fashioned, surely, even 30 years ago) and Peggy Mount a housekeeper, working for an old buffer played by John le Mesurier. Unfortunately he appeared very little in the episode shown in the penultimate edition of Channel 4's fascinating *TV Heaven* season, and the dialogue and business between James and Mount was dire. She said things like "Would you like to see my credentials?" at which he did a slow double-take and said "Eh?" before asking "'Ow are yer dumplings?" All this was inundated, of course, with gallons of canned laughter.

The long, slow pilot episode of *Please Sir!* shown in the ultimate edition of *TV Heaven* was, if anything, even worse, with a boyish John Alderton as the newly arrived naive school teacher being asked "Hedges, what would you say to tapioca four times on the trot?" and mispronouncing the name of his Greek pupil. At least *On The Buses* had a bit of physical farce with Stan (Reg Varney) trying to sell an old motorcycle combination to Stephen Lewis's bus inspector and getting him jammed inside the sidecar. Yet this served chiefly as a reminder of the memorable Harpo/Groucho sidecar sequence which was so much funnier.

The lines in *On The Buses* were as feeble as those in the other two. When Stan drafts a small ad for Arthur to sell the motorbike and writes "Must sell, owner going abroad" Arthur says "But I'm not going abroad" to which the punch-line is "If you sell this you might have to". No self respecting American comedy producer would accept such a puny gag, but in Britain it is shoved in and garnished with the usual dollop of artificial laughter in the hope of making us think it is funny.

So if it was not such a golden age, if the small quantity of truly funny sitcoms was even at that period outweighed by a much larger amount of dull dross, are we perhaps more fortunate today than we realise, given that there are now so many more comedies on offer?

Obsessed with class distinction? Two new comedies, left, Tony Britton and Susan Hampshire in 'Don't Tell Father' and right, Cindy Bell and Gareth Hunt in 'Side by Side'

The answer, surely, is no. However many we may have to choose from, the standard is uniformly low and, what is worse, there is now not even one series which is generally recognised as being outstanding. Some would argue that *Drop The Dead Donkey* should be allowed into the pantheon, and I would go some way towards agreeing, but – having recently watched the repeat series – would need to see more evidence of staying power before being sure. At least this series has the sort of joke frequency which we expect from the Americans, and jokes and character development go hand in hand as in *Cheers* and *The Golden Girls*.

It is a little early to be certain, but it does not look as though it will be possible to say the same of either *Don't Tell Father* (Sundays BBC1) or *Side By Side* (Mondays BBC1). After watching these it scarcely seems any wonder that the rest of the world continues to believe – despite the rigid pecking order in Arab states, despite the position of blacks in the US, despite the caste system in India – that class consciousness is somehow peculiarly English. Both series seem obsessed with the minutiae of class distinction.

The title *Side By Side* is a reference to the semi-detached proximity of middle class Gilly Bell who went to art school, drives a scarlet Citroen 2CV, and has been condemned to genteel poverty by widowhood, and Vince Tulley, a cockney plumber with loadsamoney but no taste who wants to build an extension, my dear, with Greek columns. Script sample: "I sat at Swami Boojar's feet for five years" – "That must have been uncomfortable" – riotous canned laughter.

Don't Tell Father, which stars Tony Britton as a rich thespian paterfamilias on his fifth wife (Susan Hampshire, who gets few lines, but the same bit of business each week where she drags on a cigarette and then frantically sprays mouth and room with breath freshener) inhabits an even more old fashioned world not far removed from that of Lord Snooty And His Pals. In tones which recall Dame Edith Evans saying "A handbag?" Britton has to say things such as "How is it going to look if my daughter marries a manipulator of motor vehicles?"

The central idea of the grand actor is based upon popular assumptions which were going out of date at about the time Donald Wolfitt was moving up from juvenile leads, and although the plot has so far concentrated on the desire of the fat daughter to marry a driving instructor called Marvin Whipple (canned laughter) instead of a member of the county set, there is on the reserve bench a Marxist-Leninist daughter (black leather, blonde and gorgeous) who talks only of the downtrodden workers, and a hippy son who is forever tripping out and practising transcendental meditation. Perhaps Roy Clarke delivered the script in 1962 and the BBC has only just found it.

At this juncture, if I were in charge of situation comedy for a British television company, I would continue with the traditional British "fragile genius" system: high quality comedy from fragile geniuses left alone in their garrets (or later their penthouses) to produce polished masterpieces in glorious isolation, a fact established for all time by *Fawlty Towers* – just so long as they proved they were geniuses. Otherwise I would start experimenting with the American joke-or-door team system: more jokes in the places I say or you leave by that door.

Something certainly needs to be done if British television comedy is to avoid going the way of *Punch* (hollow canned laughter).

Christopher Dunkley

Brighton Festival/**Ronald Crichton**

The Rake's Progress

Brighton's Festival, large and popular, owes a debt to New Sussex Opera for its imaginative productions in the Dome in past years of *Benvenuto Cellini* and *Tannhauser*. NSO opened the musical part of this year's programme with Stravinsky's *Rake's Progress*, quite unsuitable for the Dome and given in the Gardner Centre. With no orchestra pit, limited stage possibilities and total absence of theatrical atmosphere that building has its own kind of unsuitability, underlining how inadequately Brighton, in spite of cultural pretensions, houses the arts.

The likely outcome was that Stravinsky's prickly, glinting orchestral score would play havoc with the voices. Mercifully, thanks to devotedly careful playing from the NSO orchestra and to the watchful and understanding conducting of Lionel Friend, that did not happen. There was some toning down of sharp edges, and at favourite moments like the saraband for Baba's entry into Tom's house, there was more sound than bite. But given the circumstances the results were honourable.

Among the leading soloists, Mary Hegarty's Anne Trulove was a delight. One does not often find a soprano who can look like a country girl and give such an accomplished account of both the big aria at the end of act one and the lullaby in act three. Tom Rakewell was Mark Curtis, a polished tenor without quite the full lyricism the difficult solos need. Adrian Clarke, the Nick Shadow, has an incisive, tenorish baritone, not black enough for this role, but as effective as the producer allowed.

And so to the staging. John Lloyd-Davies may well have been anxious to avoid comparisons with the Cox-Hockney Glyndebourne *Rake*, still fresh in the memory. He has certainly made his version as unlike as possible. The permanent set is an outdoor jumble of drapes with a black and white cut-out of tall modern buildings expressionistically slanted and a no-style house for Tom. *The Rake* however marked a return to formal values: among other things a sense of place (not necessarily period place) is required by Auden and Kallman's text as well as the music. Of this there is no sign.

Whimsical contemporary references abound, making a point or two – for a brief moment. Shadow communicates with Tom from an executive's desk by telephone. An expanding row of Roman clock-face numerals marking the running-out of Tom's permitted time is partly hidden by the orchestra. Lighting of the cyclorama by changing, possibly symbolic colours, is overdone. Moments in the score normally strongly poetic, like the trumpet solo uncannily evoking winter in a deserted London square, go for nothing. Were there ever whores so unerotic (identical red ballet skirts)? The NSO chorus sings lustily; its acting is mainly notable for rushing about.

Auctioneer Sellem was overplayed and undersung by Philip Slane, in a pop-star jacket. Mary King's Baba the Turk was touching in her kindness to Anne. Anthea Nayall's Mother Goose was barely audible. In the small role of Anne's father, Stephen Richardson was absolutely right. With all its faults, the show deserves a larger audience than it drew for the first night on Friday. Our expiring century has not produced many operas of such high quality.

Performances tonight and tomorrow. Festival Box Office (0273) 676747.

By Jupiter

The play from which this musical was taken featured the young Katharine Hepburn making an eye-catching entrance running down stairs dressed in an armoured breast-plate and short skirt and carrying a dead stag over her shoulder. No wonder Rodgers and Hart thought they had a winner.

The musical that they made was *By Jupiter*. On Sundays between now and mid-October in the Barbican's Cinema 1 a series of "lost musicals" is being given in concert performance and *By Jupiter* at the weekend was the first. Four other shows by Schwartz, Porter, Weill and Rodgers again (*Do I hear a Waltz?*) will follow, each hopefully with the same musical zest, even if there is only a near honky-tonk piano for accompaniment.

Written in 1942, *By Jupiter* was the last collaboration of the Rodgers and Hart partnership. It was completed while Hart was in hospital, with Rodgers at his bedside whistling tunes until the lyricist had no option but to find some words to fit them. It ran for 427 performances and, although a war-time show, is a comedy with few serious political overtones, except perhaps the scene where the Amazonians are exhorted to "give, give, give" to raise money for arms.

The scene is set in ancient times, but the point is to mock modern attitudes. With the Greek army of men facing the Amazonian women across the battlefield there is also plenty of scope for jokes on the reversal of the sexes – men who knit socks for their women at war, and so on.

Rodgers's music is mostly rhythmic, snappy, not especially memorable. The most humable number is a sentimental waltz, "Wait till you see her", sung by Theseus, who has come to claim the goddess Diana's girdle, but ends up with rather more. The Greek camp also includes a cowardly Hercules and Homer, a "war correspondent and writer of travel books", just two from a cast-list that relishes a good classical caricature when it sees one.

In this workshop performance the show went with a zing, the women taking the honours over the men, Louise Gold and Briony Glassco as the ruling Amazonian sisters in particular. Further performances of *By Jupiter* follow on Sundays in May.

Richard Fairman

Discover the Lost Musicals 1992 season runs most Sunday afternoons until mid-October at Barbican Cinema 1 (071-638 8891)

Theatre/**Andrew St George**

Brecht's 'Edward II'

"It's more important," said Brecht, "for the set to tell the spectator he's in a theatre than to tell him he's in, say, Aulis . . . the best thing is to show the machinery." This has been followed to the letter in Brecht's *Das Leben Edwards II von England* (adapted from Marlowe's *Edward II*) at the Glasgow Citizens Theatre. Philip Prowse's design and direction delivers an exciting play, politically apt and dramatically rigorous.

The first production in Munich (1924) used titles preceding the scenes and announcing the contents. The life of Edward II (1284-1327) became a pattern of linked events: his infatuation with Gaveston; the consequent civil unrest of 1311-23 and subsequent battles at Scarborough and Warwick; Edward's years in an oubliette at Berkeley Castle; and his murder. The play's Chorus – named Smith – plays the part of history, binding up the past, changing with the times.

Prowse rightly makes this a mechanical production; the design and style inform the play. Each scene opens simply, without taking account of its predecessor or successor but working together as components of an an ending which resolves everything. The set is a functional tripartite black dais which allows the actors to pop up from trench-like interstices. Brecht thought every design should have its own climax, and this *coup* takes the form of a stage drenched with water – from suspended buckets – representing the castle sewer at Berkeley. Stark lighting and apt costumes, sumptuous cloaks for the peers and rags for the commoners, clinch the integrated effect.

The actors follow the difficult path cleared by Brecht's verse. Unlike Marlowe's original, Brecht's *Edward* keeps itself public, leaving no room for the comforts of intimacy. The overall style is stark, direct and pared-down, notwithstanding Brecht's lyrical attempts at Marlovian rhetoric.

The cast's unromantic acting supports the production's minimalism. Laurance Rudic's testy, flighty Edward becomes a neurotic ready for the worst. His adversary, Mortimer (played by the limber Tristram Jellinek) is a mirror of *realpolitik*, all strategy and purpose. Edward's wife, the Queen (tetchily played by Julia Blalock) finds herself caught up by events beyond her control, complaining of "the smell of too much history." And Edward's lover, Gaveston (Patrick O'Kane) maintains a resolute ordinariness in face of others' hostility.

The production's strength lies in its ability – consistent with Brecht's ideals – to make matters of political authority bear on every relationship. Marlowe's play dealt with power, but was also about love; Brecht's is solely about power. The murder of Edward with the red-hot poker was excised by Brecht; instead, Edward is suffocated, ending not with a bang but a whimper.

Citizens Theatre, Glasgow until May 23 (041 429 0022)

Purcell's 'Fairy Queen'

Only 25 years ago Benjamin Britten made his arrangement of *The Fairy Queen* because it was thought "impractical" to stage Purcell's music together with the Shakespeare play for which it was written and pretty difficult even to persuade an audience to sit through the whole of the musical score. How quickly attitudes change.

One of the hits of the Aix-en-Provence festival in recent years was just that: a production of *A Midsummer Night's Dream*, with the play suitably shortened, that incorporated all of Purcell's music performed by Les Arts Florissants under William Christie. That production spawned a successful recording and on Saturday the musical performance arrived in concert at the Barbican, with just a lacing of dramatic high spirits.

This group plays the music as though each performer knows it inside out and loves every note. With only ten musicians (a string quartet plus a few each of wind and brass) this was essentially chamber music in style and the performers' intimate understanding of what each other are doing was half the joy of the evening. A piece like the famous air "Ye gentle spirits" became liquid and flexible, seemingly freed from its bar-lines.

There are those who find this aspect of Christie's Purcell too French in flavour, as though niceties of nuance have replaced good, solid English rhythmic impetus. The counter-argument is that his *Fairy Queen* takes flight in imagination and is so full of life, magical, poetic, sensitive, that it makes most other performances sound earthbound.

In Les Arts Florissants' previous visits to London the weakness, if there was one, was the singing. This time Christie brought a very respectable cast, including one outstanding singer in the soprano Véronique Gens, who delivered the Plaint with immaculate beauty, and a pair of well-versed English tenors in Charles Daniels and Mark Padmore. Like the instrumentalists, they worked as a team, holding the audience spellbound through long, cumulative sections of the score.

There was no play. Instead Jeremy Sams set the scene with a linking narration, which Harriet Walter delivered with the aplomb of an Anna Russell ("Imagine a fairyland as conceived by Capability Brown"). And Graham Spicer, producer or "metteur en espace" as his task was described when rendered into French, added a few judicious movements: just a single wink to cap Coridon and Mopsa's lascivious duet.

Whether such additions are necessary is a matter of opinion. When Christie and his musicians are on stage, I am inclined to think that there is more than enough to stimulate the imagination, for Purcell's delightful and magical world seems to lie at their fingertips.

Richard Fairman

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Muziektheater 20.15 Kirov Ballet in Le Corsaire, also Fri. Sat and next Mon: Swan Lake. Tomorrow and Sun afternoon: La Damnation de Faust (6255 455)
Concertgebouw 20.15 Carlo Maria Giulini conducts the Royal Concertgebouw Orchestra in Schumann's Piano Concerto (Evgeny Kissin) and Dvořák's Ninth Symphony. Repeated tomorrow in Amsterdam and on Sat in the Hague. Sun in Concertgebouw: Alfred Brendel (6718 345)

■ ANTWERP

De Vlaamse Opera 20.00 Rudolf Werthen conducts a concert performance of Puccini's La Rondine, with Nelly Miricioiu. Repeated on Fri and Sun afternoon, also in Ghent next Tues (233 6685)

■ BARCELONA

Gran Teatre del Liceu 21.00 Arnold Ostman conducts Steffen Piontek's Dresden production of La Cenerentola, with Kathleen Kuhlmann (412 1466). Tomorrow in Palau de la Musica: chamber music with members of the Barcelona City Orchestra. Fri, Sat and Sun morning: Barry Douglas plays Rakhmaninov's First Piano Concerto. Sun evening: Zubin Mehta conducts the Israel Philharmonic (268 1000)

■ BONN

Oper 20.00 Thomas Fulton conducts Nicholas Joel's new production of Simon Boccanegra, with Bernd Weikl, repeated on Sun. Fri: Youri Vamos' ballet Vathek. Sat: Lieder recital by Weikl (773667). Tomorrow in Beethovenhalle: Itzhak Perlman gives European premiere of Earl Kim's Violin Concerto, with the Beethovenhalle Orchestra (773666)

■ COLOGNE

Philharmonie 20.00 Rhine Chamber Orchestra plays works by Mozart and Joachim Herbold. Tomorrow: piano duos with Anthony and Joseph Paratore (2801)
Opernhaus 19.00 Carmen, also Sun. Tomorrow and Sat: Der fliegende Holländer (Robert Hale). Fri: Jochen Ulrich's ballet Vom Zorne des Achilleus. Mon: La fille mal gardée (221 8400)

■ FRANKFURT

MUSIC
Alte Oper 20.00 Enoch zu Guttenberg conducts the Sinfonia Varsovia and soloists in a programme of Mozart overtures and arias. Tomorrow and Fri: Jiri Belohlavek conducts the Frankfurt Radio Symphony Orchestra in works by Dvořák, Lalo and Beethoven. Sat: Michel Plasson and the Orchestre National du Capitole de Toulouse (1340 400)
Opernhaus 19.30 Cosi fan tutte, also Fri. Tomorrow and Sun: La clemenza di Tito. Sat: William Forsythe's ballet Slingerland. Another Forsythe ballet, Limb's Theorem, can be seen at the Schauspielhaus on Fri (236061)
THEATRE
The Schauspielhaus repertory includes Chekhov's Uncle Vanya and Shakespeare's The Merchant of Venice (2123 7444). The English Theater Kaiserstrasse has a new production of Fences by the contemporary black American playwright August Wilson, who won a Pulitzer Prize and Tony Award for this play in 1987. Opening on Sat, daily except Mon till July 4 (2423 1620)

■ LONDON

Covent Garden 19.30 Kenneth MacMillan's Royal Ballet production of Manon, with Viviana Durante. Repeated on Fri with Darcey Bussell. Tomorrow and Sat: L'elisir d'amore (071-240 1066)
Royal Festival Hall 19.30 Vladimir Ashkenazy conducts the RPO in Schoenberg's Violin Concerto (Viktoria Mullova) and Sibelius' Second Symphony. Tomorrow: Philip Glass Ensemble (071-928 8800)
Queen Elizabeth Hall 19.00 Peter Robinson conducts David Freeman's Opera Factory production of Monteverdi's The Coronation of Poppea. Runs till June 21, with next performance on Sat. Tomorrow: London Sinfonietta plays Maw and Schnittke (071-928 8800)
Barbican 19.45 Michael Tilson Thomas conducts the LSO in Britten's Young Person's Guide, Barber's Violin Concerto (Alexander Barantschik) and Tchaikovsky's Sixth Symphony. Tomorrow: Yo-Yo Ma and the ECO (071-638 8891)

■ MADRID

Zubin Mehta conducts the Israel Philharmonic in concerts at the Auditorio Nacional de Musica tonight and tomorrow. Fri, Sat Sun: Josep Pons conducts the Spanish National Orchestra in works by Halffter and Berg (337 0100)

■ MUNICH

Staatsoper 19.30 Prokofiev's ballet Cinderella, production by Riccardo Duse. Tomorrow and Sun: Madama Butterfly with Anna Tomowa-Sintow. Fri and Mon: Werther with Araiza and Baltsa. Sat: Don Giovanni with James Morris and Julia Varady (221316). Fri and Sat at Gasteig: Colin Davis conducts Beethoven's Missa Solemnis (558080)

■ NEW YORK

THEATRE
● The Extra Man: new play by Richard Greenberg. In previews (Manhattan Theatre Club at City Center, 131 West 55th St, 581 7907).
● Eating Raoul: musical adaptation of Paul Bartel's 1982 film (Union Square Theatre, 100 East 17th St, 307 4100).
● Jelly's Last Jam: Gregory Hines has the lead in a new musical about Jelly Roll Morton. George C Wolfe directed and wrote the book (Virginia, 245 West 52nd St, 239 6200).
● Candide: stage adaptation of the Voltaire classic. Until May 17 (CSC, 136 East 13th St, 677 4210).

● Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

■ ROME

Teatro dell'Opera 20.30 Mascagni's opera Cavalleria Rusticana and Alfredo Casella's ballet La Giara. Runs till May 16, with next performance on Sun (488 3641). Tomorrow in Teatro Olimpico: Handel's oratorio Jeptha (323 4890)

■ STOCKHOLM

Royal Opera 19.30 Donizetti's Maria Stuarda. Tomorrow and Fri: John Neumeier's ballet A Midsummer Night's Dream. Sat: first night of new production of Boccaccio, operetta by Suppé (248240)
Berwaldhallen 18.30 Rafael Frühbeck de Burgos conducts the Swedish Radio Symphony Orchestra in a concert with vocal and instrumental soloists from the Stockholm Conservatoire. Sat afternoon: Arve Tellefsen and Frans Helmerson play Brahms' Double Concerto (784 1800)

■ VIENNA

Staatsoper 19.30 Leopold Hager conducts Der fliegende Holländer, with Monte Pederson, Ingrid Haubold and Kurt Moll. Tomorrow: Prokofiev's ballet Romeo and Juliet (51444 2960)
Kammeroper 20.00 Shostakovich's The Nose: new production previewing tonight, opening night Sat (513 6072)

■ ZURICH

Opernhaus 20.00 Nikolaus Harnoncourt conducts Jurgen Flimm's production of Fidelio, with Gabriela Benackova and Thomas Moser, also Sat. Tomorrow: Don Giovanni. Fri: Semiramide with Edita Gruberova. Sat: Guglielmo Tell (262 0909)
Tonhalle 19.30 Michael Boder conducts the Tonhalle Orchestra in works by Berlioz, Mendelssohn and Saint-Saëns. Fri: Isabelle van Keulen gives premiere of Martin Derung's new Violin Concerto (201 1580). Sat: Shura Cherkassky plays Liszt's First Piano Concerto. Sun: Zurich Chamber Orchestra (261 1600)
Hallenstadion 20.00 José Carreras sings arias and popular songs, with the Berne Symphony Orchestra under Elio Boncompagni (223 4482)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Wednesday May 6 1992

Dip below the German-line

IN TURBULENT times, human beings naturally cling to apparent certainties. That no member of the European exchange rate mechanism shall have lower interest rates than Germany appears to have assumed law-like status in UK government circles, unchallenged save by the foolhardy. But there is no necessary connection between the ERM and a German interest rate floor; merely, as the philosopher David Hume might have remarked, an impression created by recent history. The UK should put this point to the test.

Yesterday's welcome half a percentage point interest rate cut still leaves UK rates in double figures and there are few signs that anything other than a very half-hearted recovery is under way. The easing of UK monetary policy over the past 18 months has been modest compared with that in the US, Canada or Australia, which have had similar recessions.

Yet the discipline of the ERM appears to rule out further cuts. The UK short-term interest rate differential with Germany has now narrowed to a mere quarter of a percentage point. No ERM country has managed to sustain lower rates than Germany without its exchange rate breaking through the bottom of its permitted bands and so requiring higher interest rates. The UK, if the Treasury is to be believed, is not about to follow the French example of last year and cut rates below Germany's only to beat a hasty and ignominious retreat. The outbreak of pay-related strikes in Germany, and the rapid growth of the Bundesbank's treasured monetary aggregates, suggest that German interest rates will keep the floor high for some months yet.

Claim undermined

But is it not possible that the very events which are keeping German interest rates high are also undermining Germany's claim to be Europe's model of anti-inflationary rectitude? Germany has maintained lower interest rates in the past because of the Bundesbank's impressive record. But the inflationary hang-over from German unification has dented Germany's credibility. West German workers do not want to pay for the reconstruction of east Germany by moderating their pay claims, hence last year's rise in wage inflation, and this year's strikes.

The Bundesbank's credibility depends on whether it, and the government, are willing to stand firm against these wage demands. If the government does yield in the face of popular unrest, as it may, and the Bundesbank accommodates the pay increases by permitting a burst of inflation, which it just might, then its reputation will be damaged. Mr Major's finest hour might be at hand: with five years of Conservative government in store, and lower headline inflation than in Germany, what better government to lead a cut in European interest rates?

Superficial arguments

The UK Treasury will be right to resist these superficial arguments. The anti-inflation constituency in Germany remains strong, and the Bundesbank Council may well sanction a further rise in rates, however internationally embarrassing for Mr Kohl or, indeed, Mr Schlesinger. Even at the top of its boom, Germany still has lower underlying inflation than post-recession Britain. UK wage inflation must fall, and soon, before the UK can style itself a low-inflation country.

Yet there is another reason, unrelated to Germany's current troubles, why the UK could cut its interest rates again: its wide ERM bands. If the UK were to cut its short rates below those in Germany, sterling might slip towards the bottom of its bands. But the fact that sterling could conceivably appreciate by 12.7 per cent, from the bottom to the top, might well be enough to persuade investors that lower UK rates were worth the gamble. The UK could not maintain this expectation indefinitely, and it would do nothing to ease long interest rates, but it might keep short rates lower for a while.

In short, the UK should cut interest rates again soon and enjoy its wide ERM bands rather than ditching them in some misplaced act of Eurocommitment ahead of its presidency of the EC. So long as inflation remains on a downward path, this will be the right approach, even if it does raise the risk of having to raise interest rates again if sterling plummets. The rest of northern Europe will just have to wait.

A strategy for UK education

MR JOHN Patten, Britain's new education secretary, faces an *embarras de richesses* in implementing the Conservative manifesto pledge to increase the number of grant maintained schools opting out of local education authority control. Half a dozen education authorities are encouraging their schools to opt out *en bloc*, to avoid a two-tier system with some opted-out and others not. Given the generous funding available to grant-maintained schools, this is a very real danger.

Mr Patten has condemned such mass opt-outs as attempts by town hall bureaucrats to manage the process to their own advantage. Ministers believe that education authorities are trying to structure the terms of disengagement to foist town hall services on opted-out schools. More validly, they say that opting out can work only if the parents, governors, head and teachers work as a team to make the new arrangements work.

But the response from these – often Conservative – authorities reflects nothing more than a recognition that opting out is here to stay. While only just over 200 of the 23,000 schools in England and Wales have so far opted out, the return of a Conservative government has accelerated the process. More than 2,000 schools have asked for details of the procedures, and most secondary schools are likely to make the jump during the next five years. Legislation is promised to allow smaller primary schools to opt out in groups.

Weak mechanism

This raises fundamental questions about the future of education in England and Wales. One is how such schools are to be managed: the mechanism of control appears to be weak, as the experience of Stratford school, east London shows. Its school governors have been at loggerheads with the head teacher for some months, throwing the school – and the education of its children – into turmoil. The former education secretary Mr Kenneth Clarke attempted to intervene three times, largely without success.

If thousands of schools are to opt out, the education department will have to create a decentralised administration to manage and fund them, not to mention an authority representing the views of the wider community beyond parent-dominated boards of governors. This task could be fulfilled by modified local education authorities acting as purchasers of education services; if the government has some other idea in mind, the time has come to explain it.

Efficiency questions

Then there are questions of efficiency and economy. Eliminating 1.5m surplus school places cannot be done other than by closing schools, yet schools threatened by closure can often avoid this fate by opting out. Similar problems arise with plans to re-organise post-16 education into sixth-form colleges; schools which wish to retain sixth forms can opt out to thwart rationalisation.

With additional resources needed in many parts of the education system, the profligacy which this anarchy permits cannot be tolerated. Some way of closing surplus capacity and avoiding wasteful duplication must be found; schools cannot do this on their own.

Finally, there is the question of selection. Increasingly opted-out schools will specialise and provide for special needs, creating "centres of excellence". This is commendable, but there are signs that specialisation is becoming an excuse for re-introducing selection. The London borough of Wandsworth, for example, last night considered plans to make all its secondary schools selective.

Supporters say that this will increase diversity and improve choice for parents. But the unpalatable truth is that such a process is likely to recreate a two-tier education system in which the selective schools cream off the most able and motivated, reducing choice and probably resources for the rest. Genuine choice requires well-funded technical and vocational schools which enjoy parity of esteem with more academic schools.

A stable institutional and policy framework is essential if managerial reforms such as opting out are to be successful. Before encouraging a stampede of opt outs, Mr Patten should produce a medium-term educational strategy which encompasses such a framework and offers a vision for the future.

Yesterday's reduction in UK base rates was overdue, but may not be enough to spur a quick recovery, writes **Peter Norman**

Another cautious cut for growth

Mr Norman Lamont's decision to cut bank base rates yesterday by 0.5 percentage points to 10 per cent is a moderate gamble with sterling's international standing that will not translate into a perceptibly strong recovery in the UK economy for some time.

The rate cut will clearly do no harm to the Conservative party in tomorrow's local elections. But it was overdue on economic grounds, as the government's provisional figures for Britain's gross domestic product in the first quarter of this year are likely to show when published later this month.

These could well indicate a continuing decline in output in a recession that has already become the longest since the 1930s. Although there has since been a marked recovery in consumer and business confidence, especially since the Conservatives' election victory on April 9, hard evidence of economic revival has been patchy.

On the other hand, the government's decision means Britain's officially inspired interest rates are now only 0.25 percentage points higher than the comparable German Lombard rate at 9.75 per cent. The differential between UK and German short-term rates has not been so low since 1981, when UK rates briefly dipped below those of Germany after a period of two years when sterling, then a petro-currency, had been exceptionally strong.

Since he became chancellor nearly 18 months ago, Mr Lamont has pursued a cautious but successful policy of reducing interest rates in response to falling inflation in the UK. Although the differential between UK and German rates has narrowed from about 7 percentage points in October 1990, when Britain joined the exchange rate mechanism of the European Monetary System, yesterday's rate cut – the first in eight months – falls into this cautious category.

It came after careful testing of the money and foreign exchange market conditions late last week by the Bank of England. Also fed into the judgment of the Treasury and the Bank of England were the impressions of future German policy moves and dilemmas garnered by the chancellor and Mr Robin Leigh-Pemberton, the Bank of England governor, at last week's meeting of the Group of Seven leading industrialised countries in Washington.

The cut should help to turn the UK's so far elusive economic recovery into reality. But there are doubts whether the upturn can be strong enough to meet the Treasury's target of 1 per cent growth in GDP this year. This fact alone implies that the UK economy could take advantage of further rate cuts to return to steady growth while avoiding the risk of higher inflation. But, despite the recent recovery of sterling in the EMS and the economic and social problems currently wracking Germany, yesterday's rate cut looks as if it will be the last for some months.

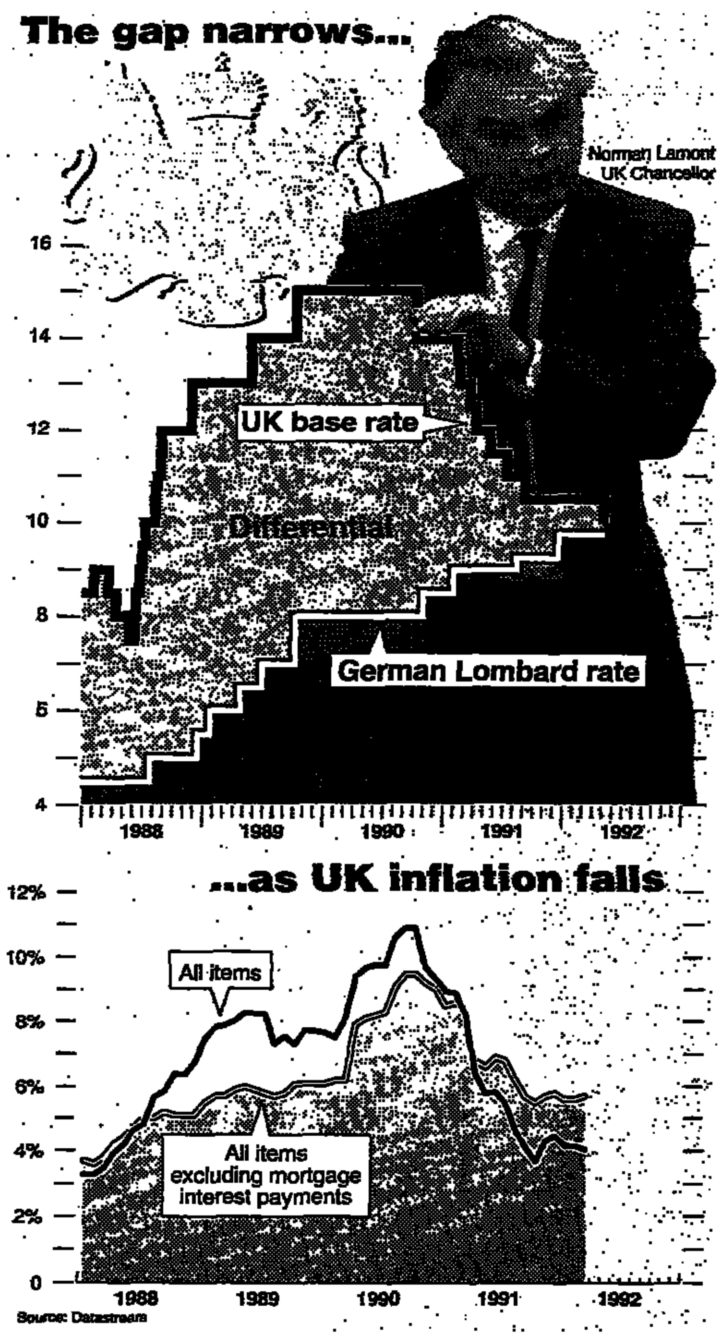
This is bad news, given that Britain's policymakers are not dealing with a conventional recovery. High levels of debt in the corporate and personal sectors have weakened the usual levers of policy by dissuading businesses from investment and households from new purchases.

Initial returns from leading high street traders suggest that there has been no significant increase in retail sales since the election result lifted the threat of increased income tax burdens from higher-income earners.

Motor traders, whose fortunes were boosted in Mr Lamont's March Budget by the halving of the special car tax and tax incentives for company fleet buyers, appear to have experienced some recovery. It is expected that official figures tomorrow will show that UK car sales in April recorded the first year-on-year rise since October 1989.

But in the vitally important housing market there is little sign of an upturn. Although mortgage rates followed base rates downwards and the government decided last December to give housing a further boost through a temporary suspension of stamp duty on most house purchases, sales of houses fell to a seasonally adjusted 87,000 a month in the first quarter of this year from 102,000 in the previous quarter. The decline took place against a grim background of still rising unemployment, falling house prices and a continuing, albeit diminishing, wave of house repossessions.

Expectations were high that the housing market would revive once pre-election uncertainties were dispelled by the return of Mr John Major's government. But yesterday, senior UK officials admitted that it was hard to find any trace of "animal spirits" in the housing market in recent weeks.



The dilemma facing Britain's policymakers was highlighted by the building societies' response to yesterday's base rate cut. The biggest lender, the Halifax building society, responded with a reduction in mortgage rates. But the scale of the cut – 0.3 percentage points to 10.65 per cent for new borrowers – was less than the base rate reduction, reflecting the decision of the societies and other mortgage lenders to cut rates by 0.5 percentage points earlier this year in anticipation of a pre-election base rate cut that never materialised.

The new Halifax rates will mean that the average borrower with an endowment-linked mortgage of £60,000 will save just £13.13 a month. Although such a saving will be augmented by the effects of the modest tax cuts in Mr Lamont's March budget, it is unclear whether they will untie consumers' purse strings.

Indeed, the mortgage rate and tax cuts may do little more than offset an overall drop in real personal disposable incomes. According to Salomon Brothers, the US securities house, real incomes may have fallen by 0.5 per cent in the first quarter of this year compared with the final three months of 1991, as rising unemployment counteracted the effect of relatively low wage settlements.

Although the UK's inflation performance has been mildly disappointing in recent months, with the annual rate of increase in the retail prices index and the so-called underlying rate of RPI, which excludes mortgage interest payments, both higher in March than in October last year, the Treasury and Bank felt no qualms in sanctioning a base rate cut yesterday on domestic economic grounds.

Where they did pause for thought was on the international front. Last week in Washington, Mr Helmut Schlesinger, the Bundesbank president, tried to assure Germany's leading trading partners that a further rise in short-term German interest rates was improbable.

But a week is a long time in German monetary politics. When the UK authorities took the plunge yesterday, they were aware that the Bonn government might be about to make concessions in the bruising public sector wage dispute and conscious that tomorrow's Bundesbank council meeting would have the wage round and the inflationary pressures besetting Germany high on its agenda.

The Frankfurt-based Bundesbank directorate might oppose a rate increase, partly out of consideration for Germany's allies. But would the hardline counter-inflationists among the state central bank governors take a similar line? And would they, as they have done in the past, steamroller an interest rate hike through the council?

That Mr Lamont decided to cut base rates partly reflects the enhanced standing that the UK and sterling have enjoyed in financial markets since the election. Mr Major's new government, armed with a working majority that should be good for a full five-year term, has suddenly made Britain appear an island of political stability compared with Germany, France or the US.

Also important has been a gradual reappraisal of Germany's problems in financial markets and foreign finance ministries. When the Bundesbank pushed up its key interest rates in December to the highest levels since the 1930s, the D-Mark's function as the anchor currency in the ERM was unquestioned. All Germany's ERM partners, except Britain, followed suit with interest increases of their own. The UK response was to let the sterling exchange rate take the strain by allowing it to fall within the pound's wider 6 per cent fluctuation margins.

Now nobody is quite so sure that a German rate increase would trigger the same response. British policymakers, for example, argue that a German rate rise would be more readily accepted by the markets as a sign of Germany's own serious problems, ranging from the difficulty of absorbing eastern Germany and the strain that this entails for public sector budgets, to the current public service workers' strike which could boost already high German wages to uncompetitive levels.

In short, Germany's problems pose a risk for the UK government's interest rate policy. But it appears a risk worth taking.

This is particularly the case if future inflation and productivity trends are taken into account. Although the course of the annual rate of RPI may be uneven, there is little doubt in the Treasury and the Bank that inflation in Britain is on a downwards course. Similarly, UK productivity is growing, partly because of the labour shake-out that accompanied the recession.

So why are the UK authorities not considering a faster reduction in interest rates? One reason is that to bring UK rates below German levels would really be a step into the unknown. Britain's inflation rate, as measured by the RPI, may be below Germany's. But this does not mean that the UK's low inflation credentials are well established. Seared on the corporate memory of European finance ministries is the French experience at the end of last year, when the authorities in Paris were forced to move their rates upwards following the Bundesbank's December move. This was despite France having an inflation rate that was markedly below that of Germany and a tighter, more credible fiscal policy.

UK domestic politics are a further spur to monetary caution. The last election was a very risky venture for Mr Major and his team because the economic and political cycles had been allowed to become unsynchronised. The prime minister defied traditional wisdom by winning an election while the economy was gripped by recession.

At the start of a new five-year term, Mr Lamont has no interest in accelerating the recovery at the risk of reigniting inflation. Depending on events in Germany a further very small rate cut may be in the pipeline, but it is highly unlikely until late in the year.

LOMBARD

Bolivia's latin lesson

By John Barham

Audits and accountants are hardly the stuff of high stakes political intrigue. But in Bolivia, bean counting is becoming a high-risk profession.

Last year, Bolivia approved a law introducing financial controls, snap inspections and audits throughout the government in a bid to reduce corruption and make public administration more efficient. The aim is to make government more accountable, strengthening Bolivia's fragile democracy. The clampdown threatens powerful people, principally the politicians, businessmen, unions, generals and bureaucrats who for generations have plundered the state with impunity.

The architect of the law is Mr Antonio Sánchez de Lozada, a choleric 60-year-old businessman who was appointed Bolivia's comptroller-general in 1982. He has dedicated his 10-year term, which has six months left to run, to the seemingly hopeless task of making his department – a sort of turbocharged audit bureau – effective for the first time since its creation in 1928.

Mr Sánchez de Lozada realised that many of Bolivia's problems stemmed from a powerful, but ineffective and corrupt state: Until recently, it dominated the economy and incurred unsustainable deficits financed with crushing foreign debts and inflation; the result was permanent instability; and as state-controlled institutions became increasingly discredited and ceased to function, so the edifice of the state began to crumble.

No other country in Latin America is a better example of this institutional paralysis: Bolivia has had more coups d'état than any other state; poverty is widespread; and hyperinflation, having reached a peak of 24,000 per cent in 1985, forcing the government to introduce radical economic reforms, has now been brought under control, and the economy is growing modestly. Yet government remains as ineffective and discredited as ever because corruption and incompetence have not been satisfactorily attacked.

The free-market reforms sweeping Latin America remain tenuous, in part because few countries have established sound institutions as the bedrock of democracy and a capitalist economy. In February, Venezuela was shaken by an army uprising. Last month, President Alberto Fujimori seized dictatorial powers in Peru. Shortly after, Bolivia's President Jaime Paz Zamora threatened to close congress.

Yet there are some encouraging trends. Argentina is now emulating Bolivia's reforms. This is significant, given that Argentina's recent past is as unenviable as Bolivia's. Buenos Aires is introducing free-market reforms in addition to auditing and control mechanisms similar to Bolivia's.

Bolivia's legislation on auditing controls will introduce a framework of modern management principles underpinned by clear policy objectives and budgets. The comptroller-general is in charge of enforcing targets, authorising snap inspections of bureaucracies and conducting routine audits. He also has the power to prosecute. The auditors will check all departments of the executive branch – including sensitive areas such as the armed forces. Monopolies and companies or organisations that receive state support must also be monitored.

Besides tackling corruption and boosting efficiency, the legislation is designed to make government accountable.

The system has yet to be fully introduced and so it is too early to draw any conclusions. Yet nobody doubts Mr Sánchez de Lozada's personal commitment. Much of his work has been low-level and routine, although several cases have brought him face to face with the biggest names in Bolivian politics. He and his staff have received death threats.

Few people really believed congress would approve the reforms. But Mr Sánchez de Lozada says: "After 1985, people were willing to listen. Hyperinflation opened their minds. Everyone was fed up with extortion. People are demanding institutions that are beyond the grasp of politicians."

Nonetheless, he has few illusions about the challenge he faces. Many of the concepts underlying the legislation (like the rule of law and accountability) are recent developments in Latin America.

Countries with a history of authoritarianism can hardly be expected to change overnight. Any reforms in Bolivia will remain largely ineffective without the development of a professional civil service and judiciary independent of the government of the day.

There are considerable misgivings about the government's motives for approving the audit law. Many dismiss it as a public relations exercise and doubt it will ever confront big business, the ruling party or the army. Until now, these groups were beyond effective control.

Equally, no Latin country has shown it can resist the international drug trade's recourse to bribery and intimidation.

Mr Sánchez de Lozada's investigations into corrupt practices are now being criticised as likely to provoke another coup. His term of office expires in November. If his successor is a cypher, the doubters will be vindicated. But if the government appoints a respected and effective replacement, Latin America's weakest democracy will have taken another big step forward. It would be a step its neighbours would do well to copy.

Edward Mortimer

Nations in glass houses

FOREIGN AFFAIRS

On an international yardstick, it is difficult to uphold the charge of racism against the US

The predictable effect of last week's riots in Los Angeles has been an outbreak of smug comments on the US in the rest of the world. Early off the mark was President François Mitterrand of France. "It's very nice," he said in a radio interview on Friday, "to promote capital, profits and investment in business, but these riots show that the social needs of any country must not be neglected... George Bush is a generous man, who embodies an extremely conservative political ideology, and American society is conservative and economically capitalist. Here are some of the results of that."

Well, I suppose that was just too tempting an opportunity for a Socialist president with his back to the wall to pass up. But Americans are not likely to be much impressed by homilies from that quarter. "We haven't just had a 14 per cent vote for a neo-fascist party," was one comment I heard from an American conservative analyst. "You should see the riots they'd have in Paris if 35 per cent of the population belonged to minorities," was another, from a Francophile middle-of-the-road lawyer.

Nor will Americans be unduly worried by the Egyptian newspaper, Al-Ahram, which asked whether the Libyan Lockerbie suspects could expect a fair trial in the US, in the light of the Rodney King verdict.

But Mr Roger Wilkins, the distinguished black historian who helped shape the Johnson administration's response to the Watts riots in Los Angeles in 1965, is happy to endorse the remark of a Japanese official quoted in the Washington Post: "There are black people who really have no future, who are completely left over... The trend of US society was almost to forget about them." And a thoughtful political analyst like Mr Norman Ornstein of the American Enterprise Institute foresees that the image of itself that America has just projected will be seized on by Third World dictators who are the targets of American criticism. "There are going to be a lot of potshots at the US," he said, "and Americans will not take kindly to that."

Two main charges can be levelled at the US on the basis of last week's events. The first is a very specific one of racism, reflected in the unwillingness of a white jury to convict four white policemen whom the entire nation had seen savagely beating and kicking a prostrate black man, in an amateur video repeatedly shown on television.

The second is a more general one, of being a callous, socially divisive and violence-prone society, in which such an incident can set a whole city on fire, causing 55 deaths and billions of dollars worth of damage.

Both charges are true, but if an international yardstick is used, the charge of racism is the harder of the two to sustain. Most black Americans clearly believe, no doubt with reason, that they are consistently targeted for harassment and maltreatment by the police. But so do most members of racial minorities in western Europe, and no doubt in Japan as well. What is striking to a British visitor is how many of the police, including police chiefs in many of the big cities, are themselves black – as indeed are many of the mayors.

America sadly leads the world in the level of violence, and the disparity between rich and poor

Of course the fact that Mayor Tom Bradley is black did not prevent what happened in Los Angeles, but much of the blame has been laid at the door of its white police chief, Mr Daryl Gates, both for the general atmosphere prevailing in the Los Angeles police department, and for the specific failures which occurred last week.

Mr Gates had in fact been fired from his job before the acquittals were announced (he is to be replaced by a black from Philadelphia with a liberal reputation), and appears to have been virtually on strike. Perhaps he was as surprised as everyone else by the trial verdict, but surely contingency plans should have been made.

Some of the anger might have been blunted if all the accused had been dismissed from the force as soon as the verdict was announced – even if their conduct was not criminal, it has been repeatedly and officially declared a gross violation of proper professional procedures; and prompt deployment of police in the right places might have deterred many of the rioters. Instead, Mr Gates went off to a fund-raising event for a movement to oppose police reform.

Anyway, it was striking that the riots did not spread to many other cities, and particularly not to New York and Washington where it might have been expected. Both cities have black mayors who issued firm and clear statements deploring the verdicts but warning against any violence.

None of this implies, of course, that racism is not widespread or even endemic in American society. My point is that, unfortunately, this is true of almost all industrialised societies with large ethnic minorities, and that the US since the 1960s has done more than most to combat it. Urban poverty and squalor are not unique to America either. The problems of homelessness, drug addiction and chronic unemployment are all too familiar in Europe's large cities.

Where America sadly does lead the industrialised world is in the level of violence, and in the enormous disparity between rich and poor. No doubt the absence of gun control and President Reagan's tax policies respectively go far to explain those two points.

"Most Americans," writes Prof Mohamed Rabie in a recently published book*, "claim and honestly believe that they are living today in the most civilised society ever when, in fact, living in the United States probably means living in one of the most violent and least secure societies in modern times."

Part of the explanation is that much of the crime and violence is confined to the inner cities, or to certain districts of them, from which the middle class (including middle-class blacks) has completely removed itself. Mr Rabie recounts the telling case of the director of the budget office of a big city, who not only lived outside the city jurisdiction but in 30 years' service had never even made a telephone call to the district where drugs and crime were most prevalent.

What can be done? Liberals urge social programmes to provide jobs, better health care, better schools and pre-school Head Start programmes for disadvantaged children. Conservatives, led by Mr Jack Kemp, the housing and urban development secretary, urge a package of tax breaks and other measures to encourage investment in inner cities and give incentives to the urban poor to take jobs, save money and acquire their own homes.

President Bush instinctively distrusts the former approach (held to have been tried and failed in the 1960s and 1970s), and gives only lukewarm support to the latter, which is bogged down in the general wrangle with Congress over the budget. Both remedies are victims of the US's political and fiscal impasse, and last week's shock may not be enough to give either of them high enough priority to make much difference.

What can be safely predicted, though, is the reinforcement of the already strong feeling that America needs to look after its own, and that the rest of the world can now look after itself.

*The New World Order: a Perspective on the Post-Cold War Era (Vintage, $16.95).

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Polyester not an ICI invention

From Mr Leonard Dowsett.

Sir, Your story, "Raw materials of a promising deal" (April 24), refers to ICI's "difficult decision to stop making polyester, which the company invented..." I am aware that this myth originated from ICI's PR department during the Hanson-ICI polemics. But I would have thought by now that someone at ICI would have corrected this error.

Polyester was invented and patented by the late Dr Rex Whinfield and his co-workers at Calico Printers Association. Dr Whinfield told me that CPA decided the project was too big and so he was instructed to approach ICI.

ICI fibre scientists eventually declared that the fibre had "no future" – a severe blow to Whinfield and CPA. The CPA board decided to send Whinfield to see Du Pont US, even though it knew that in those days ICI and Du Pont had a technical and commercial information exchange agreement and Du Pont would know of the ICI rejection.

Whinfield was told to try to at least get his research outlay back – which, if my memory is correct, was £66,000. Du Pont decided to buy the US version of the patent, and Whinfield was delighted to sell for that sum.

When ICI learned of Du Pont's purchase it tried to buy the UK and other country patents. Whinfield, though, realised they might have a winner after all and CPA refused to sell to ICI for a lump sum and demanded royalties. Whinfield joined ICI and was responsible for the development of the fibre. I believe in the end ICI paid many millions of pounds in royalties.

Leonard Dowsett,
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BT idea of level playing field a bar to new competitors

From Mr Malcolm J Matson.

Sir, While I support the recent call to Oftel from the National Consumer Council and the Consumers' Association to impose a price cut on BT ("Oftel is urged to order BT price cut", April 30), it raises a more fundamental issue.

The Telecommunications Act 1984 places upon the secretary of state and the director-general duties, among others, to "promote the interest of consumers" and "to maintain and promote effective competition".

As the director of a company that has recently submitted an application to the Department of Trade and Industry for a public telecommunications licence to operate in competition with BT, I too have an interest in seeing that BT reduces its prices now.

Left to itself, BT will not do so until forced by competition. Not only is such a delay against consumers' interests, but given BT's market dominance, it will, by definition, have an impact on new competitors at the very point when they are vulnerable to being still-born or ineffective in quickly eroding market share.

For too long BT has argued that "promotion of competition" involves the creation of a level playing field on which it and new market entrants should compete on equal terms. This is a beguiling but fallacious argument that has permitted BT to pursue a corporate policy broadly aimed at preserving its dominant position.

The director-general of Oftel should abandon his attempts to control the increase in price of BT's services in favour of accelerating the availability of services to consumers at reduced prices, from whatever supplier. He should afford BT the opportunity of immediately increasing or reducing the price of any of its services during this current price review, but prohibit it from making any further price changes until it has lost a substantial share of the relevant market sector.

Malcolm J Matson,
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Share not worthless

From Mr John Allday.

Sir, Charles Batchelor's article ("How to put a value on a share of the action", April 28) suggests that a shareholding of 25 per cent or less in a private company is "practically worthless, particularly if no dividends are paid and majority shareholder(s) are ready to faze the minority out". I wonder whether the many small minority shareholders who have benefited from their companies exploring the opportunities of an exit route would agree with this generalisation. Valuation is indeed more of an art than a science. It should always reflect the possibility of shareholders being able to reap the benefit of unlocking several years' undistributed profits from an apparent illiquid and risky investment. Subjective, yes, but "practically worthless", no.

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UK engineers' dull image no bar to growth in Europe

From Mr Neal Hattersley.

Sir, Ron Kirby (Letters, April 24) and A V Drew (Letters, April 29) raise important, but infrequently debated issues about the contribution of civil engineering to UK commerce.

Despite the public's perception of our industry, epitomised by the (true) joke that if you look up the word "boring" in Yellow Pages you are directed to "see Civil Engineers", revenues of the top 10 UK consulting firms grew by 14 per cent in 1991's recession-ridden business environment. Indeed, no fewer than six of Europe's top 10 civil engineering firms are British. My firm has grown 80 per cent in the last two years to rank in the top five and has recruited actively in that period.

Last March we bought control of a firm located in former East Germany with the full support of the employees. Our management capability and technical excellence led them to favour us in preference to offers from other European countries and the US.

British engineering is as strong now as it has ever been; why else, for example, would a Japanese organisation have come to us to design a telescope in Hawaii? However, recently, when the City of London rightly decided to celebrate the centenary of Tower Bridge in 1994, it chose to create a theme based on London in 1894, ignoring our pleas to mention other great river crossings designed by British engineers in Sydney, Hong Kong, across the Bosporus in Turkey and even in Hull.

The 500,000 foreign visitors expected to visit the bridge will thus leave thinking Britain's engineering talent dried up in 1894. Would such a state of affairs be allowed to happen in Germany? I think not, but then our firm in Germany, which though large is not unrepresentative, has women in over half its technical positions while in the UK annual job applications from female engineers to Acer can be counted on the fingers of one hand. In Germany, engineering is recognised as a foundation for the country's wealth. In the UK, it is undervalued and misunderstood. "Design" is viewed as glamorous; engineering as dull.

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OBSERVER

Accountants in the red

■ While singing the praises of its profession, the annual report of the Institute of Chartered Accountants in England and Wales suggests it might do well to learn some of the business skills its members are expected to possess.

Glowing words describing its activities nestle among colour photos of its London edifice at Moorgate Place. The figures at the back are rather more disappointing: the Institute is in the red for the second year running, with a pre-tax operating deficit of £241,000.

Income rose slightly faster than expenditure, but even with a £117,000 tax offset the growing number of bureaucratic bean-counters (up from 386 to 415 staff) were forced to knock £124,000 off their reserves. Accountancy, its glossy magazine, and courses and conferences were among the loss-makers.

To be fair, the losses are lower than last year, at a time when the Institute has had additional statutory obligations. It has also launched an ambitious campaign to persuade its members to vote to raise subscriptions.

Still, the Institute is certainly not selling off the family silver to make up the shortfall. It purchased another £15,000 worth of silver and antiques to add to its revalued £2.4m collection. Readers may doubtless also be gratified to know that the value of wine held as stock has increased to no less than £59,000.

In the meantime, members should perhaps be grateful that their Institute refrained from merger discussions last year – and hope that it does not indulge again for a while.

The 1990 accounts show a remarkable extraordinary item of £240,000 incurred in relation to the "joint consultation process" for the failed merger with the Chartered Institute of Public Finance and Accountancy – in part payable, no doubt, to accountants acting as advisers.

Enemy rations

■ Unilever employees are so fiercely loyal to their company's products that some even carry around packets of Flora margarine which they produce at outside business lunches.

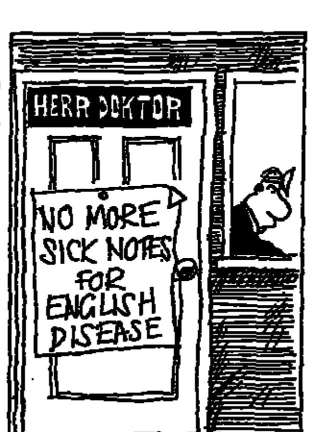
Imagine the scene then, when an FT colleague was invited to lunch yesterday with Mike Perry, Unilever's chairman-elect, in his private dining room and spotted on the table several pots of fruit yoghurt made by Müller, a German company unconnected with Unilever.

Perry's consternation could hardly have been greater if a cockroach had crawled across his plate. An immediate investigation was ordered, which revealed that the catering department had decided to offer a wider range of fare at directors' lunches. Observer predicts that culinary experiments of this kind will not survive for long after Perry takes over the chair at Unilever today.

Happy ending?

■ There is an increasing end of an era ring about the recent non-stop festivities in the Associated Newspapers' stable. The Mail on Sunday had its tenth birthday and great fuss was made of the 21st anniversary of the Daily Mail going "compact".

It is also the 21st anniversary of Sir David English's time at the Daily Mail's editorial helm, and the din of champagne corks popping cannot subdue the growing speculation that Britain's longest serving national newspaper editor may be preparing to sign off his day-to day editorial responsibilities.



One possible clue is that Sir David is starting to add to his non-daily work load. Associated has just won the new 10-year teletext licence and Sir David will be the chairman. He already chairs two of Viscount Rothermere's other media ventures – a magazine publishing company and an independent television producer. If Sir David steps down as editor - he would almost certainly remain editor-in-chief – the smart money is on his replacement being Paul Dacre who has piled on sales at London's Evening Standard while driving it firmly to the political right.

Not so chummy

■ At first sight the battle for Midland Bank seems to be getting ever so cosy. Lloyds Bank has hired GJW to do its political lobbying, while its rival, the Hongkong Bank, has now engaged Lowe Bell Communications to fight its corner.

Once upon a time GJW and Lowe Bell were all part of the same Frank Lowe media empire. And although Sir Tim Bell, Mrs Thatcher's favourite spin doctor, has bought out Lowe Bell, Lowe Group still retains a 20 per cent stake and so benefits both ways.

Nevertheless, one wonders what happened to that no-compete clause whereby GJW and Lowe Bell are supposed to work together rather than against each other. This is the first time that Sir Tim has challenged his old partners.

Quiet exit

■ It is more than a little ironic that the Far Eastern Economic Review, which has fought so ferociously over the years for the freedom of the press in totalitarian places like Singapore, should spike its editor's last leading article.

The reason why Philip Bowring's rather self-indulgent trip down memory lane has been replaced by a couple of ads is not hard to understand. After taking a few side swipes at such prestige US editorial products as the Readers Digest and Time Warner, Bowring proceeds to pen what seems like a thinly veiled obituary to all that he was proud of during his 20-years at the Review.

However, it says something about the editorial insecurity of the Review's US owners, Dow Jones, that they would not permit Bowring to have his final say, however misguided it might be.

Oh yes you do...

■ Sad to see the notice of appointment of administrative receivers to You Never Give Up Limited.

FINANCIAL TIMES
Wednesday May 6 1992

Amersham to sell Russian nuclear materials in west

By Clive Cookson, Science Editor, in London

THE troubled Russian nuclear industry today will announce its first significant deal to supply radioactive materials to the west.

The Russian Ministry of Atomic Energy and Industry is setting up a joint venture with Amersham International of the UK. Mayak, its production centre at Chelyabinsk in the Urals, will manufacture radioactive isotopes for Amersham to sell worldwide for a range of non-military applications, including nuclear medicine, scientific research and industrial irradiation.

Mr Bruce Beharrell, the Amersham director in charge of the negotiations, expects Mayak initially to receive $15m a year in hard currency for the isotopes. Their final value after incorporation into Amersham products is likely to be about $100m a year. Mayak's income from the agreement "will grow rapidly as we work more closely together", Mr Beharrell said.

Mr Dewi Lewis, group strategy manager, says the joint venture will adopt Amersham's existing procedures to make sure the import and export of isotopes comply with national and international regulations for nuclear trade.

Last year the company was cleared by Britain's Department of Trade and Industry of any wrongdoing when it was revealed as a supplier of tiny quantities of plutonium solution to Iraq in the 1980s. The shipments "were in accordance with the export licences", the DTI said.

Mayak, Russia's largest nuclear complex, includes civil reactors, weapons production and fuel reprocessing facilities. Until the Soviet Union started to collapse last year, it was a top-secret facility whose very existence officially was denied. The whole Chelyabinsk region – blighted by radioactive pollution – was closed to outsiders.

Now the Ministry of Atomic Energy is desperately short of funds and keen to seize any opportunity to commercialise its work.

"This co-operation with Amersham is going to be very useful to improve the financial situation of Mayak," said Mr Victor Fetisov, director-general of Mayak.

"It will help our conversion programme [from military to civil work] and also improve our capability to solve the environmental problems of the region."

With the average salary of a nuclear scientist in Russia below $100 a year at current exchange rates, the initial income of $15m a year from Amersham will give Mayak a huge boost. It represents $15,000 a year for each of the 1,000 people working in Mayak's isotope plant.

Amersham scientists and engineers who visited Mayak were surprised by the good condition of its technical and production facilities.

"We have looked at the plant and we are fully satisfied that the standards match the quality demands of our customers," said Mr Bill Castell, Amersham chief executive.

He expects a reliable flow of material from Mayak to boost Amersham's sales. These have been held back by a serious shortage of isotopes since 1990, when the UK government abruptly closed the two research reactors – Pluto and Dido – at Harwell in Oxfordshire which had been Amersham's main source of radioactive materials.

Mayak will begin by supplying six key isotopes, including carbon-14, cobalt-60 and tritium. "We expect to expand that portfolio very quickly," Mr Lewis said.

Missile deal with India, Page 6

Democrat presidential candidate Bill Clinton and Congresswoman Maxine Waters survey damage caused by rioters in Los Angeles. Bush to visit riot-torn Los Angeles, Page 4

THE LEX COLUMN

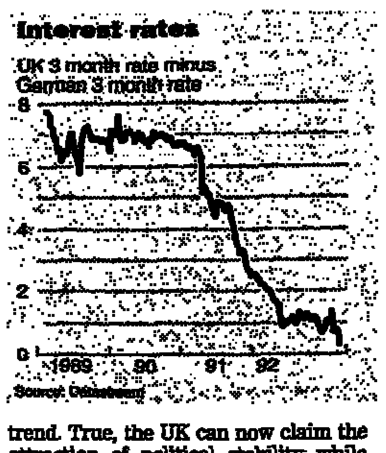
A question of motive

The market reaction to yesterday's cut in UK interest rates was notable for its scepticism. Though sterling held up fairly well, gilts dropped by more than half a point. The equity market, despite Monday's record close on Wall Street, was barely changed. Three-month money, far from moving to discount the next cut as usual, stayed slightly above the new rate of 10 per cent. Rather than accepting the cut in a spirit of gratitude, the markets are asking themselves what the government is worried about.

The immediate suspect is economic recovery. Independent evidence suggests that retail sales may not after all be enjoying a post-election blip, even though spending in March was supposedly depressed by the election's approach. Sales at John Lewis, for instance, were down 4 per cent in the week to April 25 and unchanged over 13 weeks. But the pattern of consumer spending is still too murky to permit conclusions. Nor is it obvious why a newly re-elected government would bother to take risks on sterling and inflation merely to bring recovery forward a month or two.

It may be that the pressure to cut rates comes more from the fragility of the UK financial system. If so, the market was wrong to mark down the stores sector yesterday. It should have concentrated instead on property and the banks. But the authorities might argue that the risk in cutting rates is not as great as it looks. The amount of spare productive capacity in the economy perhaps argues against inflationary pressure for a while yet. But in currency terms, the risk remains palpable. The market may not be quite sure what bothers it about yesterday's move. It may be right to be slightly bothered just the same.

FT-SE Index: 2662.2 (+2.4)



Currencies

Whatever else, the cut represents a gamble on German interest rates. Not only is the differential with Germany reduced to only a quarter of a percentage point but the Frankfurt money market is also tight, with call money approaching the 9.75 per cent Lombard rate. It can be argued that in the short term the UK may get away with it, if only because the Bundesbank is unlikely to raise rates while the strikes last. But in the slightly longer run, the bank may be forced to act if money supply growth continues close to 10 per cent. Then the UK would be in a similar position to France last year in trying to buck the German trend. True, the UK can now claim the attraction of political stability while the Kohl government appears to be losing its grip. But France's past inability to sustain lower rates is still sobering given its outstanding inflation record.

Even without a German rate rise, sterling is sailing close to the wind. Yesterday's move must cast at least some doubt on the urgency with which the government hopes to move to narrow bands within the ERM, and by extension on the expectation of currency stability which has underpinned the gilts market since the election. No doubt the UK government will do its utmost to prevent sterling falling below its narrow band floor of DM2.8844. But to fund its deficit, it may now need to rely more heavily on expectations of lower inflation and on Mr John Major's new image as the strong man of Europe. The danger is that a half-point rate cut might prove insufficient to yield the non-inflationary growth that such a leadership role requires, while still deviating too far from the German norm.

Smith & Nephew

Smith & Nephew has grown used to revealing indifferent quarterly figures of late, so the mere 5 per cent rise in earnings yesterday was no surprise. But the decision to abandon quarterly reporting suggests the contrast with the days when it could show regular earnings growth of 20 per cent has been more painful than the market realised. While UK companies in general are shuffling gradually towards more disclosure, Smith is taking a retrograde and slightly worrying step.

The company argues that in future it will be less restricted by regular closed periods and can thus be more forthcoming to its institutional investors. But in its good times, Smith's management offended investor etiquette by its penchant for secrecy. Its latest report and accounts further reduce the group's level of disclosure by lumping profits into two divisions where once there were four. Yesterday's bald statement by the chairman positively discouraged questions from outsiders. The impression is of a management suspicious of and uncomfortable with external scrutiny. Whatever one thinks of the gradual improvement in the group's businesses, its shares deserve to be treated with matching suspicion until such a worry is dispelled.

Hachette/Matra

By comparing his fledgling magazines-to-missiles group with General Electric and Siemens, Mr Jean-Luc Lagardère can at least be applauded for aiming high. But the logic of combining Hachette and Matra seemed no more compelling yesterday than it was when first mooted. Bankers will doubtless be attracted by the merger of a cash-positive defence supplier with a heavily indebted publishing company. Shareholders not in Mr Lagardère's orbit may be rather less convinced by vague arguments about extra international clout and increased management efficiency.

Hachette, of course, is being rescued from financial disaster, while Matra can argue that the publishing group might yet prove a profitable partner at this stage in the cycle and with the La Cinq episode behind it. Both sets of shareholders, though, should bear in mind that if the new holding company runs according to form it will trade at a minimum 20-25 per cent discount to net assets. They might also ask themselves if the proposed unlimited partnership, which provides extra financial incentive but more protection for incumbents, is an appropriate management structure given the errors of the past.

As for the capital structure, Mr Lagardère's continued control appears to come at a price. Almost half the banks' support is in the form of non-voting perpetual subordinated notes, which the more cautious count as debt. On this basis, Hachette's pre-merger gearing would be 160 per cent, even after the proposed injection of capital.

BCCI deal may be put in jeopardy

By Alan Friedman in New York

OBJECTIONS from a number of Arab creditor banks that are together owed $800m by the collapsed Bank of Credit and Commerce International could jeopardise the proposed $1.7bn settlement agreement worked out by the liquidator and majority shareholder of BCCI.

The objections have come to light ahead of a High Court hearing in London, scheduled for Monday, which is intended to examine the proposed compensation deal for BCCI creditors.

In a letter last month to the BCCI creditors' committee, Mr Ahmed Hassan, deputy governor of Faisal Islamic Bank of Egypt, said the majority shareholder of BCCI, which is the government of Abu Dhabi, had "a moral (and possibly a legal) responsibility to ensure that creditors receive full compensation for the losses they have suffered".

Mr Hassan – who stated in the letter that he was also writing on behalf of Dubai Islamic Bank, Tadamon Islamic Bank of Khartoum and Islamic International Bank for Investment and Development of Egypt – dismissed as inadequate the present compensation offer to BCCI creditors of 30-40 cents in the dollar.

The agreement with Abu Dhabi was announced in February by Mr Brian Smouha, the Touche Ross partner overseeing the worldwide winding up of BCCI. The deal proposes a flat payment of $1.7bn in compensation based on the current estimated liabilities of about $10bn. The figure could rise to as much as $2.2bn if claims exceed $10bn or fall to as little as $1.2bn if claims are below that amount.

In return, the majority shareholders and liquidators are supposed to drop all claims and counter-claims, and creditors are supposed to sign over a number of legal rights before they can benefit.

Faisal Islamic Bank's objections follow the more explicit rejection of the compensation package by the Depositors' Protection Association, a group of 300 individual BCCI creditors which is owed about $1bn.

The letter from Faisal Islamic Bank, a copy of which has been obtained by the Financial Times, says the bank creditors have insufficient information to decide whether the settlement proposal is in the best interest of creditors. It also states that creditors "are entitled to seek full compensation for their losses".

In London, a Touche Ross official said he had not seen the letter and could therefore offer no comment. Mr Smouha could not be reached.

Next week's London court hearing is only one part of a complex series of steps to be taken before the creditors' package can go forward. The deal is also dependent on agreement from creditors owed 70 per cent of the bank's $10bn of liabilities and requires court approval in Luxembourg and the Cayman Islands as well as the UK.

UK-led group 'to build HK bridge'

By Simon Holberton in Hong Kong

THE Hong Kong government is expected to announce tomorrow that a British-led consortium has won an HK$8bn ($1bn) contract to build one of the world's longest suspension bridges.

An Anglo-Japanese consortium, led by Trafalgar House, the UK construction, property and shipping group, is believed to be the successful bidder to build a 1,377m bridge to connect Tsing Yi and Ma Wan Islands as part of a programme worth HK$114bn (at March 1991 prices) to build the airport and related infrastructure.

The contract has been hard fought and will be the biggest single contract to be awarded so far for the colonial government's infrastructure development of Hong Kong.

As well as the Trafalgar House-led consortium which includes Costain of the UK and Mitsui of Japan, three others were in the bidding:

- an all-Japanese group comprising Nippon Steel, Kobe Steel, Mitsubishi and C. Itoh;
- one led by the French construction company Dragages et Travaux Publics and including Bouygues of France and Germany's Hochtief;
- the third, a South Korean grouping led by Hyundai, was some HK$2bn cheaper than the Trafalgar House bid.

The Hong Kong government is expecting to come in for tough criticism from local politicians and probably China, which had an interest in the Hyundai consortium, if it awards the contract to Trafalgar House.

Hyundai's troubles in South Korea, where some senior executives have been accused over taxes, and the highly geared nature of Hyundai Construction and Engineering, the main bidder, are understood to have concerned the Hong Kong government.

It raised doubts about the company's ability to enter into a long-term commitment to build the bridge. The government's critics say it should never have qualified Hyundai to make a bid in the first place.

British consulting firms have done particularly well in the bidding for consultancy contracts for the airport programme. Although UK groups have done less well in previous construction contracts, the award of the bridge to a predominantly British consortium will be seen as favouritism in some quarters.

The Anglo-Japanese group would be called on to build one of the world's longest suspension bridges in the shortest possible time. It will have to be completed by mid-1997, at the latest, when the airport is expected to be opened.

The bridge will use more than 27,000 tonnes of cable and more than 40,000 tonnes of steel. It will consist of a dual three-way carriageway on its upper deck, and a carriageway on its lower deck for use by a railway and for vehicles in bad weather.

World Weather

		°C	°F
Ajaccio	S	–	–
Algiers	F	17	63
Amsterdam	S	17	63
Athens	S	24	75
Bahrain	S	29	84
Bangkok	F	35	95
Barcelona	S	19	66
Beijing	R	15	59
Beirut	F	20	68
Belfast	C	12	54
Belgrade	S	25	77
Berlin	S	15	59
Biarritz	C	14	57
Bombay		–	–
Bordeaux	F	18	64

		°C	°F
Boulogne	S	13	55
Brussels	F	17	63
Budapest	S	22	72
Buenos Aires	C	22	71
Cairo	S	29	84
Cape Town	S	20	68
Caracas	R	31	88
Casablanca †	S	23	73
Chicago †	C	4	39
Cologne	S	18	64
Copenhagen	F	15	59
Corfu	S	26	79
Dallas †	S	16	61
Dublin	F	12	54
Dubrovnik		–	–
Edinburgh	C	12	54
Faro	S	22	72
Florence	S	25	77

		°C	°F
Frankfurt	F	18	64
Geneva	C	15	59
Gibraltar	S	21	70
Glasgow	F	11	52
Helsinki	S	15	59
Hong Kong	F	29	84
Innsbruck	F	16	61
Inverness	F	13	55
Islamabad	C	27	81
Istanbul	S	19	66
Jakarta	C	32	90
Johannesburg	S	22	72
Lisbon	S	23	73
London	Dr	11	52
Los Angeles †	C	17	63
Luxembourg	F	17	63
Madeira	F	18	64
Madrid	S	21	70

		°C	°F
Majorca	S	23	73
Malaga	S	23	73
Malta	S	18	64
Manila	F	36	97
Melbourne	F	22	72
Mexico City	C	24	75
Miami †	S	19	66
Milan	S	23	73
Montreal †	F	5	41
Moscow	C	10	50
Munich	C	13	55
Nairobi	F	25	77
Naples	S	26	79
Nassau	F	29	84
New Delhi	S	31	88
New York †	C	9	48
Nice	S	22	72
Nicosia	S	20	68

		°C	°F
Oporto	S	20	68
Oslo	F	13	55
Paris	S	18	64
Prague	F	14	57
Reykjavik	F	1	34
Rhodes	S	21	70
Rio de Janeiro	C	29	85
Rome	S	22	72
Salzburg	C	15	59
S'Francisco †	S	12	54
Seoul	S	27	81
Singapore		–	–
Stockholm	F	14	57
Strasbourg	C	15	59
Sydney	F	23	73
Taipei	F	33	91
Tangier	S	24	75
Tel Aviv	S	23	73

		°C	°F
Tenerife	F	20	68
Tokyo	S	20	68
Toronto †	F	5	41
Tunis	R	17	63
Valencia	S	24	75
Venice	S	22	72
Vienna	S	17	63
Warsaw	F	16	61
Washington †	C	11	52
Zurich	C	12	54

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday May 6 1992

INSIDE

GPA lock-in plan 'now in place'

The go-ahead for the flotation of GPA, the world's largest aviation leasing company, will not be given without a lock-in agreement with existing main shareholders, Mr Maurice Foley, vice-chairman and president, said yesterday. He claimed that such an agreement was now in place, although Mr Foley admitted it was not yet "signed and sealed". He said that US underwriters would not underwrite the issue without the agreement. Page 25

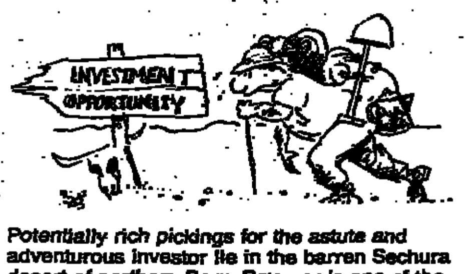
Sappi expands in Europe

Sappi, the South African pulp and paper company, is to pay DM400m ($244m) for control of Hannover Papier, a leading German producer of coated wood-free paper. The deal significantly consolidates Sappi's position in the European speciality paper market. Page 21

DSM profits fall 43%

DSM, the Dutch chemicals group, reported net profits 43.8 per cent down in the 1992 first quarter, reflecting lower profit margins in hydrocarbons and polymers, its biggest division. Net profit fell sharply to Fl 100m ($54m) from Fl 178m a year earlier. Page 20

Phosphate in them thar hills...



Potentially rich pickings for the astute and adventurous investor lie in the barren Sechura desert of northern Peru. Bayovar is one of the world's three principal phosphate-bearing regions — and for the first time in 20 years, Peru is prepared to let foreigners take charge of its exploitation. However, potential investors face ruined roads, drifting sands and a rusty and obsolete - but working - processing plant. Page 30

TI's acquisition accounting

Last week's hostile bid for Dowty, the aerospace company, by TI Group raises old questions about how it accounts for acquisitions. At issue is the current accounting practice that grants acquiring companies a financial honeymoon during which to reorganise their acquisition. Although within accepted accounting standards, TI's treatment of acquisitions in the past are almost certain to figure prominently in Dowty's defence this month. Page 25

Reshuffle at Inco

Low metal prices and uncertainty about the intentions of the Russian nickel producers have placed Inco, the western world's biggest nickel producer, back under financial pressure. Inco's operating costs have risen steeply during the past four years and now the Canadian metals group has undergone a management upheaval. Page 22

Hong Kong lifts Pacific Rim

A record high in Hong Kong and a burst of institutional buying in Singapore helped Pacific Rim stock markets overcome a listless performance from Japan ahead of the Golden Week holiday. However, the gain in the FT-Actuaries World index was restricted to 0.5 per cent in local currency terms partly because of the Japanese performance and weakness in Europe. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	671	+	9.5
Asko	821	+	13
Degussa	356.5	+	9.3
Karstadt	620	+	11.5
Kaufhof	495	+	9
Falls			
Lahmeyer	785	−	27
NEW YORK ($)			
Rises			
Cigna	62⅞	+	1⅛
Delta	61¼	+	1⅛
Glaxo	27	+	⅛
IBM	93¼	+	⅜
Falls			
Apple Comp	60	−	½
Santa Fe	12½	−	⅝
PARIS (FFr)			
Rises			
BIC	775	+	11
Bancaire Cie	495.5	+	19.4
Cetelem	778	+	15
DAP	540	+	12
Falls			
Ecco	463	−	10
Gaumont	542	−	28

New York prices at 12.30pm. Tokyo closed.

LONDON (Pence)			
Rises			
ADT	470	+	15
Aspen Comms	122	+	8
Dowty	190	+	11
First Nat Fin	60	+	5
Gestetner	114	+	10
Glaxo	751	+	31
Medeva	237	+	14
Monarch Res	56	+	4
Pittard Garnar	95	+	5
Pressac	82	+	6
Psion	177	+	14
Sanderson Elec	191	+	49
Shoprite	504	+	33
Smith New Ct	121	+	5
Stanhope	29½	+	2½
Transfer Tech	484	+	19
UK Land	30	+	7
Falls			
Aden	15	−	4
Bett Bros	93	−	7
Brit Aerospace	328	−	10
Brit Fittings	105	−	48
Shiloh	114	−	9
WPP	83	−	5
Williams Hldgs	329	−	15

Hachette in FFr3bn rescue before merger

By William Dawkins in Paris

HACHETTE, the troubled French publishing and media group, yesterday unveiled a FFr2.8bn ($506m) rescue plan and said it will merge with Matra, its electronics-to-transport sister company, by the end of the year.

Mr Jean-Luc Lagardère, who controls and manages both companies, has always argued that the companies would be financially stronger if united. The project, to be completed by the end of the year or early next, was hastened by Hachette's FFr3.55bn loss on La Cinq, its television station which filed for bankruptcy last month leaving the media group with debts of FFr8.3bn.

The new group, Matra-Hachette, will be quoted and have annual sales of FFr53bn across nine unquoted majority-owned subsidiaries, covering distribution, press, book publishing, audiovisual, telecommunications, defence, space, cars and transport equipment.

Mr Lagardère said the merger would help both components by allowing cash to flow easily between them. Analysts saw little industrial logic in the deal and feared Hachette would draw on Matra's cashflow to pay its interest bills, a suggestion denied by Mr Lagardère yesterday.

Daimler-Benz, the German aerospace and automotive group, and GEC, the British electronic company, which both hold 4.9 per cent stakes in Matra, had been consulted.

Hachette's refinancing, which will take place before the Matra merger, will be handled by Mr Lagardère's main French institutional investors, the state-owned banks Banque Nationale de Paris, Crédit Lyonnais and the state insurer GAN.

Of the FFr2.8bn package, Hachette is to issue FFr1.3bn of perpetual subordinated paper – an equity-like instrument popular in France – FFr600m of convertible bonds and FFr900m of new ordinary shares. This will reduce Hachette's debts to FFr5.8bn, said Mr Lagardère. Hachette is planning FFr1.3bn to FFr1.6bn of asset sales by the end of the year.

Mr Lagardère will simplify the sprawl of holding companies that exercise control over the two groups into a two-step structure. MMB Holding, a quoted holding group to be headed by Mr Lagardère, will own 40 per cent of Matra-Hachette's equity capital and have 51 per cent of the voting rights. Mr Lagardère will hold around 10 per cent of MMB's shares.

Background, Page 20
Lex, Page 18;

Deutsche Bank to expand in US

By Alan Friedman in New York

DEUTSCHE BANK is planning to restructure and expand its North American operations to strengthen its presence in US capital markets and private banking.

Since 1990, Deutsche Bank has more than trebled its US assets to $14bn. It now plans to increase these assets by 20 per cent to 30 per cent over the next one to two years.

Mr Ronaldo Schmitz, board member responsible for the region, said in New York yesterday that the bank's aim is to "become a leading player in key wholesale sectors" in the US. He stressed that the bank hopes to expand by internal growth rather than acquisition. To accomplish this, the bank is creating a holding company structure to bring together US, Canadian and Mexican activities.

Mr Schmitz said that over the next two years Deutsche Bank plans to commit additional capital to the New York-based business in order to enter new areas.

The specific areas to be developed were domestic corporate finance, capital markets and trading, swap transactions, foreign exchange and derivative products. The bank will also focus on asset management for institutions and private clients.

Deutsche Bank employs 1,200 people in North America and this is expected to rise over the medium-term as new business areas are developed.

Last year Deutsche Bank's US securities subsidiary was allowed by the New York Federal Reserve to act as a primary dealer. Mr Schmitz said Deutsche Bank was holding talks with the Federal Reserve over the relationship it has with C. J. Lawrence, its US equity research and brokerage subsidiary.

The bank's overall aim is to catch US corporate clients who place an emphasis on dealing with strongly capitalised banks.

Mr Schmitz said Deutsche Bank had relations with 69 of America's 100 largest industrial companies and wanted to build its US corporate finance business well beyond just servicing US offshoots of German companies.

Mr Schmitz said the bank had been "largely untouched" by problem lending in the US commercial property sector.

However, the bank is understood to have almost $50m of Toronto-generated loans to Olympia & York, the Canadian property group now undergoing debt restructuring.

Hybrid issue, Page 22

Lloyds could lose Midland tax benefit

By Andrew Jack, David Barchard and David Owen in London

IF LLOYDS Bank succeeds in buying Midland, the combined UK banks will be forced to pay £246m ($435m) in tax which would not be paid if Midland is bought by Hongkong and Shanghai Banking Corporation, it was claimed yesterday.

The allegation was made by Hongkong Bank's merchant bank adviser, Schroders, in the escalating war for control of Midland.

However, Lloyds last night issued a strong assurance that the matter had been considered and it does not believe it will incur this penalty, while other independent tax experts said the question of whether the tax would be paid was open to doubt.

Hongkong Bank launched an offer for Midland last month, while Lloyds has proposed a rival bid at a higher value if certain conditions are met.

Midland's most recent accounts show that the company has tax credits worth £207m against trading losses and £39m in advance corporation tax for the last financial year. These losses could be offset against future profits for the combined group of nearly £740m under UK corporate tax rates. However, tax legislation states that if there is any "major change in the nature or conduct of a trade" within three years of a change of ownership, these tax benefits will be disallowed. Schroders also stressed Hongkong Bank would be unlikely to incur the same penalties as Lloyds, because it would keep the bank as a separate business.

● Midland Bank's shareholders were told yesterday by Sir Peter Walters, chairman, that the bank's board believes that a merger with Hongkong and Shanghai Bank is the right strategy for the bank's future, while a merger with Lloyds Bank would result in a group narrowly focused on UK banking and involving retrenchment rather than growth.

● Hongkong Bank will shortly open a new front in its bid for control of Midland by writing to members of the UK parliament to argue its case.

According to one of its advisers, the bank will keep its message "fairly simple" and is likely to stage follow-up meetings with MPs "in due course". It is expected to argue that the interests of the UK banking sector could best be served by an injection of new blood and the presence of four strong clearers.

Hongkong Bank, Page 26
Observer, Page 17

Japan's second-tier brokerages face cutbacks and losses in the wake of the Nikkei's fall, writes Robert Thomson

End of the road for a dream ride

When the Tokyo stock market surged in the late 1980s, Japan's 10 second-tier brokerages went along for the ride. They christened huge dealing rooms, invested in next-generation technology and employed the services of Pee Wee Herman and other celebrities in the confidence that the Big Four houses would become the Big 14.

Those dreams went down with the Nikkei stock average. Nine of the 10 brokers are forecasting losses for the fiscal year just ended, and nearly all are cutting staff, closing domestic branches, and trimming their recently expanded international operations.

Last week, Sanyo Securities closed three domestic branches, while New Japan Securities closed four, and plans to close its Sydney and Paris offices by the end of June. Kankaku Securities is closing offices in Milan and Bahrain, and "five or six domestic branches".

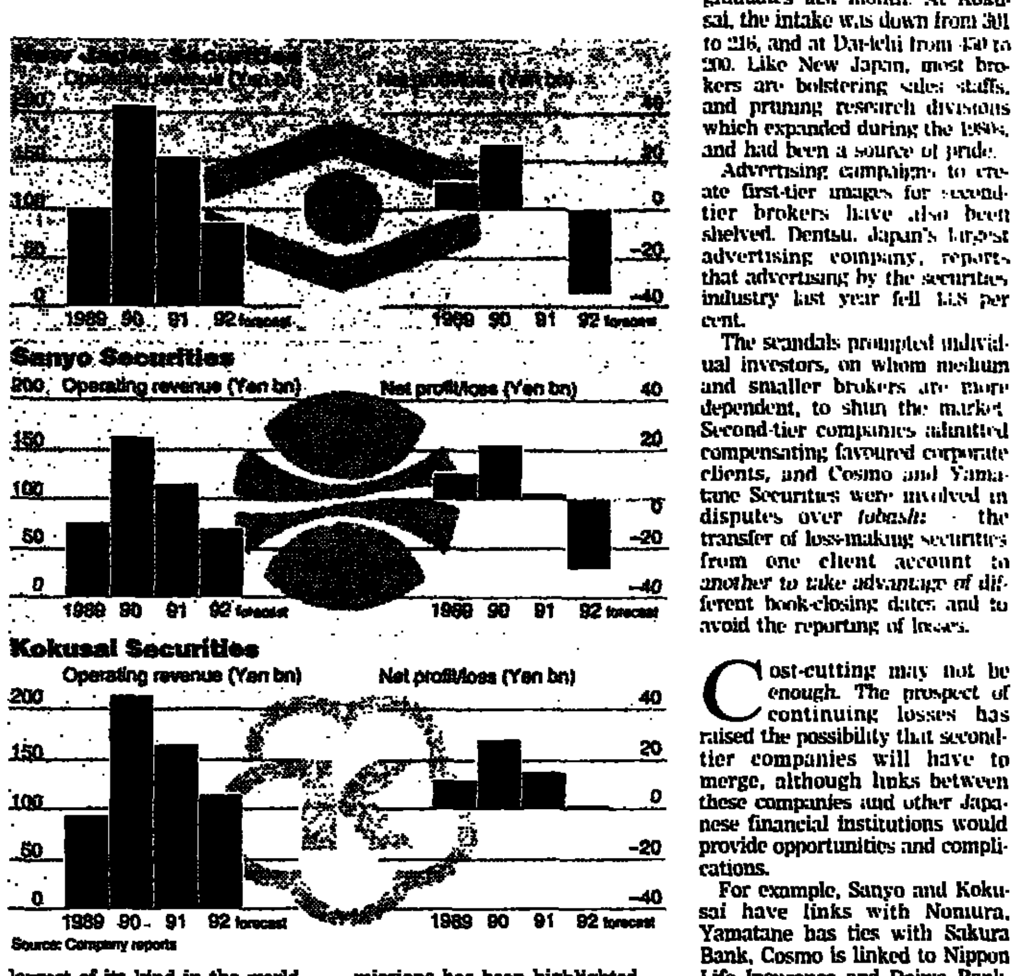
The Big Four – Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities – have suffered in the market collapse, but the second-division brokers have been harder hit. These companies are generally less skilled in new product areas, more reliant on equity commissions, less successful in generating profits on their own accounts, and rely on a smaller pile of still-shrinking unrealised gains on their securities holdings.

Mr Brian Waterhouse, financial industry specialist at James Capel Pacific, says the leading four houses need a daily market turnover of about Y450bn ($3.3bn) to make money, while the second-tier houses need Y600bn. However, the daily Tokyo average has recently been around Y250bn, well below the 1989 average of Y1,308bn.

"These companies have been over-optimistic. We have seen a few branches closed, but they are really yet to bite the bullet. They have thought that the market would come good. There is a lot more pain ahead," Mr Waterhouse said.

That pain has its origins in the excesses of the late 1980s. Most second-tier companies were determined to expand, and the bull market fuelled unsustainable ambitions, resulting in a 41.6 per cent increase in securities industry personnel in the four years until December 1989, when the market peaked.

Just before the peak, companies were still growing. Personnel at Cosmo Securities rose 12 per cent from fiscal 1988 to 1989, at Wako Securities by 7 per cent, and at Sanyo Securities by 11 per cent. Sanyo distinguished itself by opening an Y8bn, high-tech dealing room, which was the largest of its kind in the world.



Source: Company reports

But, for the year to end March, Sanyo is forecasting a net loss of Y27.5bn, Cosmo Y29bn, and Wako Y17bn. Only Kokusai Securities, part of the Nomura group, expects a modest Y1bn profit, having developed business in bonds and derivatives, and focused on small company clients.

Other second-tier brokers have not had Kokusai's success in developing niche markets, having presumed that revenue from underwriting, share trading, and investment trust sales would continue to rise.

However, underwriting fees rose only about 5 per cent last year, and investment trust income is forecast to fall an average 51 per cent. The brokers' over-dependence on stock commissions has been highlighted – commissions account for 79 per cent of revenue at Dai-ichi Securities and 80 per cent at Kankaku Securities, compared with 52 per cent at Daiwa.

Ms Mineko Sasaki-Smith, head of research at Credit Suisse Japan, said medium-sized brokers "have overheads just as high" as the Big Four, but "they don't make the same money from commissions and don't have a big enough capital base to be strong in arbitrage". There is, she says, "great excess capacity in the industry".

Most brokers now concede there will not be a quick end to the market's woes, and agree they must become more focused and cost-conscious. New Japan Securities, the fifth largest broker, has a four-stage plan to reduce costs: closing and merging branches; reducing floor space; cutting executive salaries; and transferring staff from administration to sales.

"We are hoping to increase our sales of foreign stocks to Japanese customers, especially stocks in high-growth Asian countries. We also want to improve our business in derivatives," New Japan said.

New Japan and other companies cut their annual intake of graduates last month. At Kokusai, the intake was down from 301 to 216, and at Dai-ichi from 430 to 200. Like New Japan, most brokers are bolstering sales staffs, and pruning research divisions which expanded during the 1980s, and had been a source of pride.

Advertising campaigns to create first-tier images for second-tier brokers have also been shelved. Dentsu, Japan's largest advertising company, reports that advertising by the securities industry last year fell 13.8 per cent.

The scandals prompted individual investors, on whom medium and smaller brokers are more dependent, to shun the market. Second-tier companies admitted compensating favoured corporate clients, and Cosmo and Yamatane Securities were involved in disputes over *tobashi* – the transfer of loss-making securities from one client account to another to take advantage of different book-closing dates and to avoid the reporting of losses.

Cost-cutting may not be enough. The prospect of continuing losses has raised the possibility that second-tier companies will have to merge, although links between these companies and other Japanese financial institutions would provide opportunities and complications.

For example, Sanyo and Kokusai have links with Nomura, Yamatane has ties with Sakura Bank, Cosmo is linked to Nippon Life Insurance and Daiwa Bank, and Wako is close to the Industrial Bank of Japan (IBJ). National Securities is an affiliate of Matsushita Electric Industrial, the electronics company.

The Ministry of Finance is reported to have told the friendly banks to keep watch over troubled brokers. Under financial reforms which may be introduced as early as next year, Japanese banks will be able to enter the stock business, although the banks' past enthusiasm for share trading has waned.

The troubles of Japanese brokers could present opportunities for a foreign securities house looking to expand its retail operations in Japan. No deals have surfaced, but rumours of partnerships and distress sales are already doing the rounds.

Sell-off of SSAB may raise SKr1.85bn

By Robert Taylor in Stockholm

THE SWEDISH government hopes to raise about SKr1.85bn ($312.5m) next month by selling off its controlling stake in SSAB, the state steel company.

The divestment of the 48 per cent of equity, along with 60 per cent of voting rights, is the first stage in the government's privatisation programme which will include 35 Swedish companies.

The sell-off, between May 19 and June 4, involves an offer of 126,666 units. Units will consist of government-guaranteed risk-free bonds priced at SKr14,800, including commission, redeemable in January 1994 at SKr17,000. The units also include warrants entitling the holder to buy 100 SSAB shares at SKr170 each from January 1993 to February 15 1994. The bond is expected to generate a guaranteed yield of at least 10 per cent less commission.

The government said 55,000 of the 126,666 units would be offered to the public, and 12,000 reserved for SSAB's employees. The remaining 60,000 units are intended for institutional investors. Foreign interests will be limited to a quarter of those units.

Mr Per Westerberg, industry minister, said the offer sought to broaden private ownership in Sweden. "The offer should be attractive to private individuals."

However, Mr Westerberg added that the method of selling off the state's stake in SSAB would not necessarily be used in subsequent privatisations. "Each sale must be assessed according to its own conditions and needs. This means that each privatisation will be unique as its practical implementation is concerned," he said.

INTERNATIONAL COMPANIES AND FINANCE

DnB cuts losses to NKr601m in first quarter

By Karen Fossli in Oslo

DEN NORSKE Bank, the troubled Norwegian bank, has reduced its first-quarter net losses to NKr601m ($93.6m) from NKr798m in the same period last year. It attributed the improvement to lower credit losses, growth in net interest income and a reduction in operating costs.

Group operating profit, before credit losses and taxes, rose by NKr17m to NKr424m. The bank said a NKr45m charge was made against accounts to cover write-downs and losses arising from the sale of fixed assets.

Credit losses were reduced by NKr172m to NKr1.02bn but non-performing loans rose by NKr105m from the end of last year to NKr10.27bn.

Group net interest income increased NKr113m to NKr1.14bn but other operating income fell by NKr117m to NKr545m.

A reduction of NKr28m to NKr13m in income from securities trading contributed to the decline, as trading in foreign exchange and other financial instruments fell NKr92m to NKr70m.

DnB said that results of Realkreditt, a mortgage company acquired last year, were included for the first time in the group's accounts. Realkreditt contributed NKr58m to total net interest income.

The bank said that, as a percentage of total assets, first-quarter net interest income rose to 2.28 per cent from 2.04 per cent a year earlier.

DnB said that the previously announced preferential share issue to raise NKr2.38bn will be launched in late May or early June, and that shareholders would soon receive a subscription offer.

DSM tumbles 43% as margins tighten

By Ronald van de Krol in Amsterdam

DSM, the Dutch chemicals group, said that net profit had tumbled 43.8 per cent in the first three months of 1992, reflecting lower profit margins in hydrocarbons and polymers, its biggest division.

Net profit fell sharply to Fl 100m ($54m) from Fl 178m a year earlier, when business was already weak because of the Gulf war. However, the first-quarter result was up 12 per cent from the second half of 1991.

Turnover declined 6 per cent to Fl 2.43bn, with a 9 per cent increase in volume sales only partially compensating for the average 15 per cent decline in selling prices. Acquisitions accounted for about half of the increase in volume sales.

The first-quarter downturn, in line with the company's expectations, was attributed to narrowing profit margins, particularly in hydrocarbons and polymers.

The company said it could not predict full-year profits because of uncertainty in worldwide economic recovery and currency movements.

Group operating profit mirrored the development in net profit, falling 43 per cent to Fl 140m from Fl 245m.

DSM's financial charges almost trebled to Fl 32m from Fl 11m a year earlier, because of an unspecified increase in borrowing. However, the company's tax bill fell to just Fl 11m from Fl 61m, reflecting a higher percentage of tax-exempt income in the total result.

In 1991, the company's net profit after extraordinary items plunged by 40 per cent to Fl 516m. The company nevertheless left its 1991 dividend unchanged at Fl 8 a share.

Financial gains lift Roche to SFr2.04bn

By Ian Rodger in Basle

CONSOLIDATED sales of Roche, the Swiss pharmaceuticals group, rose 26 per cent in the first quarter, to SFr3.3bn ($2.17bn), Mr Fritz Gerber, chairman, said yesterday.

However he warned that the growth rate was inflated by a sharp decline in the Swiss franc against the dollar, and by the abnormally weak performance during the comparative period because of the Gulf war.

In local currencies, the sales growth rate was 17 per cent.

Roche revealed detailed accounts for 1991 showing that financial gains contributed almost all of the 40 per cent increase in pre-tax profits to SFr2.04bn.

Mr Gerber said growth in operating profits was so strong that the group decided to spend heavily on pre-marketing of new drugs. Marketing and selling expenses jumped 20 per cent to SFr2.5bn. The group's research and development costs also rose 20 per cent, partly reflecting the higher level of research spending of Genentech, the US biotechnology group in which Roche bought a 60 per cent stake in 1990.

Roche also charged to expenses SFr200m for intangible assets acquired last year, and SFr62m for the merger costs of its two fragrance subsidiaries, Givaudan and Roure.

Mr Henri Meier, finance director, said Roche would be in no hurry to change its capital structure following changes in Swiss law in July making it illegal to raise capital through dividend right certificates. Roche has issued 7m such certificates. Mr Meier said he foresaw no need to raise more capital.

● Swissair, Switzerland's national airline, said first-quarter revenues rose 5.3 per cent, while costs increased 4.9 per cent. The load factor dropped visibly because of the deployment of new aircraft, and budget targets were not met. Mr Otto Loepfe, chief executive, said the group was prepared to cut costs further.

Bruised, but back to battle for a dream

William Dawkins on the changing fortunes of Hachette controller Jean-Luc Lagardère

For someone who admitted yesterday he had suffered the worst setback in his career, the 64-year-old Mr Jean-Luc Lagardère, French media and technology magnate, has bounced back surprisingly well.

A visibly relieved Mr Lagardère announced that his big institutional backers had agreed to bail out Hachette, the leading French publishing group he controls, paving the way for him to realise a long-held dream: to merge Hachette with Matra, the defence, space, telecommunications and transport combine which he also controls.

The merger will create a powerful FFr53bn diversified group, to be called Matra-Hachette. It will have 50,000 staff, and be among the French top 20 in turnover terms.

Mr Lagardère likened it to General Electric, the US group whose interests range from aerospace to media and banking. The sales split will work out at 57 per cent from Hachette activities, and the remaining 43 per cent from Matra. There will be nine divisions: distribution, press, book publishing, audiovisual, telecommunications, defence, space, cars and transport.

Mr Lagardère has persuaded his bankers to save Hachette from what must have been one of the most expensive peccadilloes in French corporate history. Moreover, he has – at a price – gained secure control over the new group.

Matra-Hachette will be controlled by a holding group, MMB Holding, which will have two managing partners: Mr Lagardère himself, plus Arjil, a family-controlled holding group managed by senior Hachette and Matra executives.

Of course, he has paid heavily for the rescue. Mr Lagardère's direct and indirect stakes in the holding group will nearly halve from 19 per cent to around 10 per cent as a result of the deal. It is likely that from now on, the institutions involved will exert strong control over at least the financial management.

"They could have put Hachette into bankruptcy three months ago, so they really have strong negotiating power. Now they will want to see some repayments, and if they want that, they will have to change the way the group is managed," says Mr François Langlade Demoyen, head of research at Credit Suisse First Boston France.

Mr Lagardère insists that a *commandite* structure is quite compatible with modern demands for quoted companies to be open and transparent, and that the partners are kept under the pressure of market forces by knowing they are personally liable for all the group's debts. "It is the only opportunity for us to remain independent," he admits. "But it's not a blank cheque."

Jean-Luc Lagardère: likens group to General Electric

Mr Lagardère, a perpetually tanned sports enthusiast, turned to a boxing metaphor to describe his position. "I have been forced to put my knee to the ground and people have said that I am KO'd. I say 'no'. I am lifting myself up quickly to attack the 12th round, not just to finish the match, but to go on the offensive, to win." This would, he admitted, be his final bout, but he would at least be able to pass on the fight with "complete success".

Who the new boss will be, when Mr Lagardère hangs up his gloves, is still a mystery. Mr Lagardère made no secret yesterday of the fact that he would like to hand on to his only son, Arnaud, 30, who is currently running a small venture capital unit attached to a bank in the Lagardère empire. However, the banks will of course have a strong influence on the succession.

Whether the merger will make any practical difference to the fortunes of Matra and Hachette is a matter of intense scepticism among stockbroking analysts, who do not understand how a successful company can be born by shunting together two troubled ones. Indeed, the initial reaction from brokers in Paris yesterday was that Matra would, if anything, suffer from being hitched to its cash-hungry partner, and that Hachette would benefit from tighter management imposed by the banks.

Hachette, the world's fifth largest communications group and the largest newspaper distributor, lost FFr1.9bn last year – its first deficit in a decade – because of La Cinq's collapse, and will still have FFr5.8bn of debts after the refinancing. Matra, which has no debts, saw its net profits collapse from FFr605m to FFr252m in 1991.

Mr Lagardère argues that together they will be stronger than alone: that cash will be able to circulate freely where needed; greater diversification will even out sharp swings in earnings; and administrative economies will be possible.

The greater size and stability of the new group should also make it more appealing to foreign partners, who in recent years have been an important part of Mr Lagardère's strategy in defence and electronics. Matra's telecommunications division is, for example, within weeks of sealing an alliance with a "leading world group", he said.

So the initial picture is that Mr Lagardère's banking friends have helped him save face. Yet just how much control he personally will have over Matra-Hachette will depend on the highly sensitive negotiations between him and the banks over the next few months.

British Fittings posts £3m deficit

By Jane Fuller in London

THE SHARE price of British Fittings Group, a water pump manufacturer and distributor of pipelines, fell by 31 per cent yesterday, from 153p to 105p, as the company announced a surprise pre-tax loss of nearly £3m ($5.34m). It also announced senior management changes.

The company took an extraordinary charge of £1.18m to cover the theft last year of brass and copper bar and plate from a subsidiary. The theft is being investigated by the police.

Announcing the figures yesterday, Mr Brian Stanton, who is about to relinquish the role of chairman while continuing as managing director, said: "A month ago I was still working on a pre-tax profit of £3m to £4m. Two and a half weeks ago I had a phone call to tell me what had happened. It was the first I knew that the profit we were talking about had turned into a terrific loss."

The Birmingham-based company had warned the stock market in February its 1991 pre-tax profit would be less than the £5.7m predicted at the time of a £7.1m rights issue last July. This was already below the £6.21m made in 1990.

A new finance director – Mr Cecil Buckett, formerly of Newman Tonks – took up office on May 1. He replaced Mr Brian Smith whose position on the board is under review.

Yesterday's figures showed that operating profit slid from £9.41m to £3.15m on turnover of £82.2m, down from £88.7m. While the biggest division, pipeline equipment, limited its fall to less than 50 per cent, water pumps made less than a quarter of the previous year's figure, and non-ferrous metal distribution fell into the red.

Exceptional costs of £3.19m were incurred. The main causes included redundancies and an adjustment for errors in a subsidiary's 1990 balance sheet which were being investigated by the Fraud Squad.

Mr Stanton said seven subsidiary directors had been replaced by four new appointments as part of efforts to tighten financial controls. The loss per share was 12.95p, against earnings of 20.09p. The final dividend was cut to 4p making a total of 5.375p (7.35p).

O&Y to present debt plan to bankers on Thursday

By Robert Peston

OLYMPIA & York, the troubled property developer, is to meet on Thursday with representatives of its 15 largest creditor banks to outline long-term plans to restructure its $12bn debt.

At the meeting, to be held in London, O&Y will for the first time give the banks details of how much interest it would like them to defer and how long it would like them to wait for interest and principal payments.

O&Y said it would provide the banks with a five-year business plan. It said it expected banks would find "the plans reasonable" and a basis for further negotiation.

Until now, O&Y has only provided banks with details of how much money it needs to borrow to keep operating for the next 90 days.

The company has been finding it difficult to raise funds for its short-term requirements in Canada and at Canary Wharf, the office development in east London.

Providers of around $5bn of loans to O&Y's parent company and close subsidiaries are expected to be asked to make the biggest sacrifices. Interest and principal could be deferred to the end of the decade.

Of the $5bn, the main facility is a $2.5bn "jumbo" loan to Olympia & York Resources Credit Corporation which is split into four portions:

- a $1.25m European tranche, arranged by Crédit Lyonnais of France and Germany's Commerzbank, each of which are thought to hold $250m;
- a $750m Asian portion, all of which is said by bankers to have been provided by Hongkong and Shanghai Banking Corporation;
- $250m provided by Royal Bank of Canada;
- $250m provided by Daichi Kangyo Bank, the biggest Japanese bank.

All these banks are expected to be represented at Thursday's meeting. Also expected to attend are Citicorp of the US, Barclays of the UK, Canadian Imperial Bank of Commerce and Bank of Nova Scotia. They will act as representatives of all 100 of O&Y's banks.

The disclosure of the size of Hongkong Bank's exposure will embarrass that bank, given that it is in the middle of a battle with the UK's Lloyds Bank for control of Midland Bank. Yesterday Hongkong Bank refused to confirm or deny that it was holding all $750m.

The meeting will be addressed by Mr Steve Miller, the investment banker from James D Wolfenson Inc in charge of O&Y's bank negotiations, and by Mr Gerald Greenwald, who was recently made president and deputy chief executive of O&Y.

Bankers said they hoped Mr Paul Reichmann, O&Y's founder, would attend the meeting. However, an O&Y spokesman said he did not know whether Mr Reichmann would be there.

Petrobras gets fifth president in two years

By Christina Lamb in Rio de Janeiro

MR FERNANDO Collor, president of Brazil, yesterday appointed a new head at Petrobras, the state oil monopoly and one of Latin America's largest companies. Mr Benedito Moreira will be the company's fifth president in just over two years and 27th in its 39-year history.

The dismissal of his predecessor, Mr Ernesto Weber, has been expected ever since a cabinet reshuffle last month and the launch of a police investigation into the company for alleged manipulation of contract bids and misuse of its pension fund. Three directors were sacked last month.

In an interview with foreign correspondents last Thursday Mr Weber joked: "I am already getting old in the job – I have held it for eight months."

The news of Mr Weber's sacking came as he prepared to fly to Houston to receive the oil industry's top offshore technology award for the company's deep sea drilling operations. His trip was cancelled.

Five new directors were appointed yesterday along with the 61-year-old Mr Moreira who is the former head of the extinct Export Registration Bureau.

The new minister for Mines and Energy, Mr Marcus Pratini de Moraes, said that Mr Moreira's appointment would mark a new phase in Petrobras operations.

The company, which has long been subject to heavy political interference, is expected to be given more autonomy as it prepares to confront possible competition.

In an interview with Gazeta Mercantil, Brazil's leading financial journal, Mr Moreira described Petrobras as "rather worn-out" and said he would give more priority to increasing the company's international operations.

Sappi buys 90% of Hannover Papier

By Philip Gawith in Johannesburg

SAPPI, the South African pulp and paper company, is to pay DM400m ($242.4m and R825 through the financial rand) for control of Hannover Papier, one of Germany's leading producers of coated woodfree paper.

The deal is a considerable breakthrough for South African companies, being the first occasion since the implementation of financial sanctions in the mid-1980s that a SA company has used its own paper to finance a large acquisition.

It also consolidates the position of Sappi, a member of the Gencor group, in the speciality paper market in Europe. In June 1990, it bought control of five paper mills in the UK, from which a new company, Sappi Europe, was formed.

Sappi will acquire 90 per cent of Hannover Papier's share capital - 80 per cent from Swedish company Ncb Aktiebolag, the state-owned forestry group, and 10 per cent from Commerzbank of Germany.

Sappi will issue new ordinary shares to Commerzbank and convertible debentures for the Ncb shares. Ncb will receive cash and Sappi will assume Hannover Papier's borrowings of DM370m.

Sappi will seek a listing on London, Paris and Frankfurt stock exchanges. Mr Eugene van As, executive chairman of Sappi, said the deal made Sappi one of the world's 15 largest paper groups.

He said Hannover had been extensively modernised so about 40 per cent of its capacity (430,000 tonnes of paper and 190,000 tonnes of sulphite pulp a year) was new. Hannover was regarded as an environmental leader in Germany: meeting environmental standards would not be an issue.

The German company was put up for sale late last year when Ncb, Hannover Papier's owner, announced it would have to realise assets because of heavy losses. Ncb made a loss of SKr178m ($30m) in 1991.

Ncb's SKr1.25bn sale of its 80 per cent stake in Hannover Papier is a vital part of the Swedish state-owned forestry group's preparation for early privatisation, adds Robert Taylor in Stockholm.

Mr Lars Henrik Forssblad, Ncb's managing director, said yesterday the group's liquidity would "improve dramatically" and the deal would have a "positive effect on its profit ability this year".

Ncb calculates the divestment of Hannover Papier will reduce its interest-bearing liabilities to SKr1.75bn from SKr3.27bn last year.

Group that likes to take the plunge

By Philip Gawith

THE announcement that Sappi will pay DM400m to buy a 90 per cent stake in Hannover Papier, the German pulp and paper company, is the latest in a series of deals by the South African paper group.

Coming on top of a R1.1bn ($380m) rights issue last October, the equity financing of the Hannover transaction will increase Sappi's equity base by 50 per cent in the course of a year. However, the company, part of the Gencor group, has a history of taking deep breathes and plunging in.

The Ngodwana mill, built in 1982 for R1.3bn, remains the largest industrial investment undertaken by a private company in South Africa.

It then cost 50 per cent more than the company's total assets. In July 1988, Sappi paid over R1bn to buy Saiccor, the world's single largest dissolving pulp producer, and the Usutu pulp mill, from Courtaulds. The purchase of five UK mills in 1990 was, at R500m, a large deal.

Mr Eugene Van As, executive chairman of Sappi, concedes the Hannover deal was larger than what Sappi was looking for, but he says it was too good to walk away from. He adds that with the industry at the bottom of the commodity cycle, there are many assets for sale, but none of comparable quality to Hannover.

The deal is certainly a watershed for Sappi. As Mr Van As comments: "Sappi becomes quite an interesting animal in South Africa. We're no longer a South African company with a bit of exports."

After the Hannover deal roughly two thirds of Sappi's revenues and profits will come from exports and the activities of Sappi's non-South African subsidiaries. Few other South African industrial companies can make this claim. About 60 per cent of Hannover's sales are D-Mark denominated, the balance is sales into Europe.

This should make Sappi attractive for local investors who attach a premium to rand hedge shares – those where a portion of earnings is non-Rand denominated, thus offering protection from a depreciating currency.

Even better, Mr Van As notes, is that Sappi will also offer an assets hedge.

Sappi consolidates all its controlled subsidiaries outside of South Africa, and the Hannover transaction appears not only to be cheap, but to offer considerable synergies. Mr Van As says they are acquiring a plant with the latest technology at an estimated 40 per cent discount to the replacement value of the assets.

The transaction comes fairly heavily geared, with borrowings of DM370m. Sappi is confident this will be reduced to zero by 1996, assisted by Hannover's powerful cash flow.

Sappi is not sitting still on the local front. The Saiccor plant is being expanded at a cost of about R900m, while the group is considering investments of R500m at the Tugela and Enstra operations.

While Sappi's earnings performance in recent years has not been spectacular – in the last economic cycle, from 1983 to 1990, compound growth in earnings per share was 18 per cent - management is confident the group will perform strongly in the next upturn.

Rossington raises offer for Acil

By Kevin Brown in Sydney

ROSSINGTON Holdings, Sir Ron Brierley's vehicle for a bid for Australian Consolidated Investments (Acil) yesterday increased its offer to 23.5 cents a share from 23 cents, and dropped a series of conditions.

Rossington, jointly owned by Brierley Investments of New Zealand and GPG, Sir Ron's UK company, extended the bid to May 22 in a statement filed with the Australian Stock Exchange.

The revised offer values Acil at A$130.17m, (US$98.6m) but is still well below the valuation of 33 cents a share placed on the company by Acil directors, who have urged shareholders to reject the bid.

Rossington's decision to make the bid unconditional follows claims by Acil that shareholders controlling about 60 per cent of Acil stock would reject the bid unless the conditions were dropped.

However, Rossington has begun legal proceedings to block Acil's proposed flotation of its 95.6 per cent holding in Weeks Petroleum, an Australian oil company.

Rossington's initial bid was conditional on the abandonment of Acil's plans to sell its 50 per cent holding in National Brewing Holdings, formerly Bond Brewing, to Lion Nathan of New Zealand.

Acil and Lion Nathan said on Monday the New Zealand brewer had exercised a call option to acquire the stake, and indicated the transaction would be completed by the end of the month.

About 40 per cent of Acil is owned by companies formerly controlled by Mr Alan Bond, the bankrupt entrepreneur. A further 19.9 per cent is owned by the Adelaide Steamship group, which is being reconstructed by its banks.

Sir Ron said the real value of Acil shares was about 25 cents, depending on "the ultimate wash up of [Acil's] many messy legacies from the Bond and Adsteam eras".

He said shareholders were unlikely to receive a better offer than the Rossington proposal, and warned they could do "a lot worse if the company's legal wrangles continue to proliferate as rapidly as in the past few months".

Edgars falls short of management forecasts

By Philip Gawith

EDGARS, the clothing and footwear group in the South African Breweries chain, unveiled an increase in earnings in the year to March, but significantly underperformed management forecasts.

Sales rose by 11 per cent to R2.75bn ($950m) but tighter margins saw operating profit rise by only 6 per cent to R373.2m. Attributable earnings rose by 5 per cent to R157.5m.

The figures compare with management forecasts, made in July last year, that sales would rise by 19 per cent and profits by 17 per cent.

Mr Mark Bower, financial director, said that management had not foreseen the continued stagnation of the gold price, the drought, and continued high interest rates, all of which hurt consumer spending.

Mr Bower said sales had risen by 17 per cent in the first three months, but a precipitate decline had set in in September when official figures indicated sectoral sales dropped by 3.4 per cent. He added that sales in the first quarter of 1992 had been "disastrous".

He forecast sales and earnings growth for the year of about 12 per cent – in line with inflation.

Earnings and dividends per share rose 5 per cent, to 310 cents and 119 cents respectively.

US media boss predicts recovery

By Alan Friedman in New York

A RECOVERY in earnings in the second half of 1992 was forecast yesterday by Mr Daniel Burke, president and chief executive of Capital Cities/ABC, the US television and newspapers group.

Mr Burke, speaking at the annual shareholders' meeting in New York, said the second-half results would benefit from an improvement in local and national advertising demand in the broadcasting division. The company's shares reacted with a rise of $7¾ to $448.

"We cannot make predictions beyond that for the balance of the year, although we expect the company's expense growth to be modest," Mr Burke explained.

The media group's 1991 net income declined by 28.1 per cent to $343.5m, on revenues of $5.4bn.

In the first quarter of 1992 net profits at Capital Cities/ABC plunged by 45 per cent, to $58.6m, on unchanged revenues of $1.26bn.

Mr Burke promised that ABC would remain "a player of consequence" in the global television market, having established partnerships in seven international media-based ventures to date.

In the US, ABC Television ended the 1991-92 prime time season in last place, just behind NBC. "While I live for the day I can report to you that the network ranked first or second, I would rather that it made a respectable profit," Mr Burke told shareholders.

He noted that the broadcasting division had earned $669.7m of operating profit last year.

Mr Burke said while Capital Cities was considering acquisitions, it might be "entering a period where internally developed businesses make more sense for us".

He cited several internally generated ventures such as new magazine and fashion shows that have cost the company $42m pre-tax in start-up expenses.

MIM declines 12% to A$46m

By Kevin Brown

MIM HOLDINGS, the Australian resources group, yesterday blamed weak metal prices for a 12 per cent fall in net profits to A$46m ($34.8m) for the nine months to April 5, on sales down 12.6 per cent to A$1.2bn.

The result represents a significant improvement over the first six months, when MIM reported a 76 per cent cut in net profits to A$16m, on sales down 10 per cent to A$840m.

After including a second-quarter abnormal profit of A$45.7m from the sale of its interest in Teck Corporation, net profits rose to A$91.8m, from A$52.8m the previous comparable period.

However, net profits fell to A$70m after including foreign exchange losses and minority equity interests. The equivalent profit in the first nine months of last year was A$30m.

MIM said profits had continued to be affected in the third quarter by weak metals prices, but reported excellent results from the Porgera gold mine in Papua New Guinea, which is 30 per cent owned by Highlands Gold, an MIM subsidiary.

The group said gold operations at Tick Hill also performed well, and coal operations at Oaky Creek returned to profitability during the quarter. Oaky Creek suffered a loss of A$24m in the first six months, mainly because of operational difficulties.

MIM said average copper prices during the nine months were 12 per cent lower than in the comparable period of last year. The equivalent falls in prices for other metals were 27 per cent for lead, 12 per cent for zinc and 10 per cent for gold.

The directors said the weakness in prices was likely to continue in the absence of signs of economic recovery in the metal consuming countries.

It said recent data on housing starts and retail sales in the US were encouraging, but this was offset by worsening economies in Germany and Japan.

Inco battens down the financial hatches

Kenneth Gooding examines the various pressures facing the Canadian nickel producer

Management upheaval has propelled Mr Michael Sopko to the top of Inco, the western world's biggest nickel producer, several years ahead of schedule. It has also put new management in charge of every one of the Canadian group's primary metal operations.

"These were the middle managers who got us through the recession in the early 1980s, when some analysts suggested Inco might go belly-up," Mr Sopko points out.

Inco is back under financial pressure today. Low metal prices and uncertainties about the intentions of the Russian nickel producers – the biggest in the world – are just part of the picture. Inco has also seen its operating costs rise steeply in the past four years.

Mr Ray Goldie, analyst at Richardson Greenshields, a Canadian stockbroker, estimates that, whereas in 1989 it cost Inco only US$81 to mine a tonne or ore, last year it cost $105 and in 1992 it will be $116.

Meanwhile, the price Inco realised on its nickel has fallen from $5.61 a lb to $2.72.

There is little Inco can do about the nickel price. So Mr Sopko sees as his top priority "our urgent need to lower the cost of production."

He was appointed president of Inco only a year ago. In normal circumstances an Inco president would expect to spend some years in that role before getting a stab at the top job. But in December Mr Don Phillips surprisingly announced he was to retire in April this year and Mr Sopko was named as his successor as chairman and chief executive.

During his brief term as president, Mr Sopko restructured the management at Inco's Ontario division in Canada, its biggest, replacing four vice-presidents with three new ones. He also reduced the number of managers to five from seven and three of the five are new appointees. The new management team was instructed to cut costs by 30 per cent in the next three to four years.

Mr Sopko is the first Canadian-born chairman of Inco in the history of the Toronto-based company which celebrated its ninetieth anniversary in March. He is the son of Czechoslovakian immigrants and a metallurgical engineer who graduated from McGill University in 1960. Now 53, he has spent all his 28-year working life with Inco. He says he was given some opportunities to shine along the way and took them wholeheartedly. But he suggests there are half a dozen other managers at Inco who could do his job "and the important thing is to be the right person in the right place at the right time.

Michael Sopko: Inco's first Canadian-born chairman

"I replace a marketing man. Having a production person in place now that production costs have to be cut makes sense. People are selected according to the corporation's needs at the time."

Since his appointment was announced, Inco has been battening down the hatches. At present nickel prices it is breaking-even at best. It has cut planned capital expenditure this year to the bare minimum – only $280m compared with the $350m scheduled last autumn and the $440m spent in 1991.

The group, which had a cash shortfall of $172m last year, has also saved money by issuing shares in part payment of its contribution to the employee pension scheme.

Debt at the end of last year was $1.26m, giving Inco a debt-equity ratio of 42-58. Mr Sopko says he does not want it to rise further and aims to return it to the 35-65 level as quickly as possible. He and other members of the Inco board have been talking to the credit rating agencies because Inco treasures its investment-grade rating. Which explains why the dividend has not been cut – but neither has it been lifted since 1989.

Mr Sopko insists Inco's financial pressures have to be seen in perspective. Although the company was criticised in some quarters for giving away too much during recent past pay negotiations, production costs since 1987 have risen only 15 to 16 per cent because of employment costs. Fully one third of the rise was caused by lower ore grades (less recoverable metal in the ore) and lower tonnage because some Inco mines are nearing the end of their lives and their replacements are not yet ready. A strong Canadian dollar also made an impact and, because Inco's capital spending has been very high, depreciation and amortisation costs have risen sharply.

As the group's investment in new mines begins to pay off, costs will fall when tonnages metal yields improve, he points out. Inco's biggest investment – a $520m, six-year project to reduce dramatically sulphur dioxide emissions at its Sudbury metallurgical complex – is nearly complete. This investment will bring savings of about $20m this year and by 1994 an annual $80m.

Mr Sopko suggests demand for nickel will grow at least by an annual 2 to 3 per cent, so nickel will remain Inco's core business. "We intend to be the lowest-cost producer and maintain our one-third market share."

That share makes Inco market leader, "and enables us to do things others can't – better research and better products". It also gives Inco credibility with customers who are therefore more likely to "join us in our long-term plans". Already 80 per cent of Inco's annual nickel output is spoken for by long-term contracts and sales to its downstream operations.

And, even with a production person in charge, Inco's financial goal remains a 15 per cent return on equity averaged out over the economic cycle.

Deutsche Bank plans DM1.5bn hybrid issue

By David Waller in Frankfurt

DEUTSCHE BANK, Germany's biggest bank, is planning to launch an issue of profit-participating certificates with options attached.

These "Optionsgenusscheine" will have a nominal value of DM1.5bn ($937m) and the pricing and other details will be announced later this month.

The bank said yesterday that the proceeds would be used to refinance the bank's long-term business at the same time as strengthening its capital base, already the strongest in Germany with pure equity capital standing at around 6 per cent of total assets.

Each new Genusscheine will have a nominal value of DM1,000. The issue will have a maturity of 12 years and a coupon of 8.75 per cent, and the option will entitle the holder to buy two new Deutsche Bank shares.

Genusscheine are a hybrid between debt and equity which are treated as Tier Two Capital by the Bank for International Settlements and Regular Liable Capital by German regulatory authorities.

They are a popular with German banks as no tax has to be paid on the interest, and Commerzbank said last month that is planning a similar issue as well as a full equity rights issue later in the year.

Four options exchanges in European link-up

By Simon London in London and Ronald van de Krol in Amsterdam

FOUR European futures and options exchanges yesterday signed a co-operation agreement which could lead to wider international distribution of listed derivative financial products.

The Amsterdam-based European Options Exchange, OM Group, which has exchanges in both London and Stockholm, and the Swiss Options and Financial Futures Exchange (Soffex) signed the agreement in London. The members of the alliance, known as First European Exchanges (Fex), hope to offer local access to derivative financial products developed in other countries. For example, the OMX index of Swedish equities could be traded from Amsterdam.

A number of cross-listing agreements between national exchanges are already in place. For example, EOE has co-operation agreements on the cross-listing of products with the American Stock Exchange in New York and with several other European exchanges. Its biggest "exported" product is the Eurotop 100 share index, which tracks equity prices across the continent.

However, until now such deals have stopped short of full fungibility: although futures or options contracts have the same specifications on each exchange, trading is separate and prices can differ between exchanges. The Fex alliance hopes to offer fully fungible access to contracts by developing technology links and sharing market information.

The three exchanges together attract an average daily trading volume of around 140,000 contracts, similar to the turnover of the London International Financial Futures Exchange or the Matif, the Paris exchange, which are Europe's biggest derivatives markets. However, there is a trend for business to become concentrated in the larger exchanges. The participants in Fex said yesterday they expected more European exchanges to join the alliance.

The agreement is the first step towards a fully fledged alliance. The individual exchanges will research local demand for each other's financial products and examine the potential for developing common dealing systems.

STET profits climb 3.4%

By Haig Simonian in Milan

NET profits at STET, the holding company for Italy's state-owned telecommunications interests, increased by 3.4 per cent last year to L1,413bn ($1.14bn).

Group sales rose by 15 per cent to L22,946bn thanks to continuing improvements at most subsidiaries. Among the companies STET controls are SIP, Italy's main telephone utility, and Italcable, which handles most international telephone traffic.

The group is paying an unchanged dividend of L100 for ordinary shares and L120 for savings shares.

STET's good results may have helped to arrest the apparent free fall in its share price following the announcement late last week that IRI, the state holding company which controls the group, was planning to dilute its stake. The secondary sale of stock could raise up to L1,800bn. Shares in STET staged a mixed recovery yesterday, with ordinary stock rising by L28 to L1,927, while savings shares fell by L25 to L1,745.

STET has signed an agreement with Bell Atlantic of the US to set up a joint venture in Italy to develop software for telecommunications for both companies.

Generali improves to L380.6bn

By Haig Simonian

GENERALI, Italy's biggest insurance group, raised net profits by 8.4 per cent to L380.6bn ($308.4m) last year, despite the continuing difficulties in the domestic insurance industry.

Premium income went up by 15.5 per cent to L7,222bn in 1991. Premiums from Italy rose by 13.4 per cent to L4,483bn, while those generated abroad rose 19.2 per cent to L2,740bn.

Preliminary figures at group level suggested earnings would be "appreciably" over the L467.8bn made in 1990, according to the company. Group premiums rose by 16.4 per cent to reach L18,000bn. Allowing for inter-group re-insurance business, group premiums rose 17.2 per cent to L16,023bn.

Generali disappointed the stock market by announcing it would once again be paying its dividend in a mixture of shares in its Alleanza life insurance subsidiary and cash. This year's pay-out comprises a cash element of L190 a shares, up from L160 the previous year, and one non-convertible savings share in Alleanza for every 75 Generali shares currently held. In 1991, the company gave away one Alleanza share for every 250 Generali shares already held.

Generali claimed the dividend marked a substantial improvement on the previous year's pay-out. Based on the value of Alleanza stock on Generali's balance sheet, the dividend is worth L201 a share, against L177 the previous year, it said. Calculated using market prices, and adjusted for last year's big rights issue by Generali, the company claimed the dividend marked an improvement of almost 25 per cent.

Generali confirmed the continuing expansion in the Italian life insurance market, while growth on the non-life side had been more contained. Moreover, claims continued to rise alarmingly, although costs had been kept down, it said.

Hopewell in new fund-raising exercise

HOPEWELL Holdings plans to raise around HK$1.95bn (US$253m) by placing 400m new shares at HK$5 each – its second major fund-raising exercise in a year. The new shares represent about 9.3 per cent of Hopewell's enlarged share capital, AP-DJ reports. The money will be used to finance construction in Guangdong province.

ITT to repurchase shares

By Nikki Tait in New York

ITT, the US conglomerate, said yesterday it had authorised a new share buyback programme, covering up to 25m shares.

The company started the previous repurchase programme in 1987, and has bought in 20.3m ordinary shares and 1.2m preferred shares to date.

Mr Rand Araskog, ITT's chairman, told the annual meeting that shareholders would "see a good deal of action intended to accomplish our goal of a better share price". According to agency reports, he said the restructuring moves shoud simplify the company and improve its focus.

Shares in ITT rallied earlier this year after it announced it was selling its remaining 30 per cent stake in Alcatel, the French telecommunications group, to partner Alcatel Alsthom, and following publication of an interview with Mr Araskog in the Financial Times.

This quoted Mr Araskog as saying the company wanted to make itself more exciting to investors. ITT later denied that spinning off its Hartford insurance company as a separate unit was a likely option.

All of these securities having been sold, this announcement appears as a matter of record only.

April, 1992

50,600,000 Shares

FIRST DATA CORP.

First Data Corporation

Common Stock

This portion of the underwriting was offered outside the United States by the undersigned.

10,350,000 Shares

Lehman Brothers International

Bear, Stearns International Limited

Credit Suisse First Boston Limited

Kidder, Peabody International Limited

Lazard Brothers & Co., Limited

Merrill Lynch International Limited

Salomon Brothers International Limited

ABN AMRO Bank N.V. | BNP Capital Markets Limited | Bankers Trust International Plc | Banque Indosuez | Barclays de Zoete Wedd Limited | County NatWest Securities Limited

Credit Lyonnais Securities | Creditanstalt-Bankverein | Daiwa Europe Limited | Deutsche Bank Aktiengesellschaft | Dresdner Bank Aktiengesellschaft | Robert Fleming & Co. Limited | Fox-Pitt, Kelton N.V.

Generale Bank | Goldman Sachs International Limited | MEDIOBANCA Banca di Credito Finanziario S.p.A. | J.P. Morgan Securities Ltd. | Morgan Stanley International | Nikko Europe Plc | Nomura International

Paribas Capital Markets Group | RBC Dominion Securities International | N M Rothschild & Sons Limited | J. Henry Schroder Wagg & Co. Limited | Société Générale

Svenska Handelsbanken London Branch | Swiss Bank Corporation | UBS Phillips & Drew Securities Limited | S.G. Warburg Securities | Wood Gundy Inc. | Yamaichi International (Europe) Limited

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This portion of the underwriting was offered in the United States by the undersigned.

40,250,000 Shares

Lehman Brothers

Bear, Stearns & Co. Inc.

The First Boston Corporation

Kidder, Peabody & Co. Incorporated

Lazard Frères & Co.

Merrill Lynch & Co.

Salomon Brothers Inc

Sanford C. Bernstein & Co., Inc. | Dillon, Read & Co. Inc. | Donaldson, Lufkin & Jenrette Securities Corporation | A.G. Edwards & Sons, Inc. | Goldman, Sachs & Co. | Hambrecht & Quist Incorporated

Kemper Securities Group, Inc. | Montgomery Securities | J.P. Morgan Securities Inc. | Morgan Stanley & Co. Incorporated | Oppenheimer & Co., Inc. | PaineWebber Incorporated

Prudential Securities Incorporated | Robertson, Stephens & Company | Smith Barney, Harris Upham & Co. Incorporated | UBS Securities Inc. | Wertheim Schroder & Co. Incorporated | Dean Witter Reynolds Inc.

Advest, Inc. | Arnhold and S. Bleichroeder, Inc. | William Blair & Company | J. C. Bradford & Co. | Cowen & Company | Dain Bosworth Incorporated | First Manhattan Co.

Ladenburg, Thalmann & Co. Inc. | Legg Mason Wood Walker Incorporated | McDonald & Company Securities, Inc. | Morgan Keegan & Company, Inc.

Needham & Company, Inc. | Neuberger & Berman | Piper, Jaffray & Hopwood Incorporated | Raymond James & Associates, Inc.

The Robinson-Humphrey Company, Inc. | Stephens Inc. | Stifel, Nicolaus & Company Incorporated | Tucker Anthony Incorporated | Wheat First Butcher & Singer Capital Markets

Robert W. Baird & Co. Incorporated | Brean Murray, Foster Securities Inc. | The Chicago Corporation | Crowell, Weedon & Co. | D. A. Davidson & Co. Incorporated | Doft & Co., Inc.

Doley Securities, Inc. | Fahnestock & Co. Inc. | First Albany Corporation | First Equity Corporation of Florida | First of Michigan Corporation | Gabelli & Company, Inc.

Gerard Klauer Mattison & Co., Inc. | Interstate/Johnson Lane Corporation | Janney Montgomery Scott Inc. | Josephthal Lyon & Ross Incorporated | C.J. Lawrence Inc. | WR Lazard, Laidlaw & Mead Incorporated

Mabon Securities Corp. | Parker/Hunter Incorporated | The Principal/Eppler, Guerin & Turner, Inc. | Pryor, McClendon, Counts & Co., Inc. | Ragen MacKenzie Incorporated | Rauscher Pierce Refsnes, Inc.

Muriel Siebert & Co., Inc. | Martin Simpson & Company, Inc. | SoundView Financial Group, Inc. | Sutro & Co. Incorporated | Unterberg Harris

Reduction in lending rates prompts selling of gilts

By Simon London in London and Karen Zagor in New York

GOVERNMENT BONDS

THE UK government bond market gave a cool reaction to yesterday's easing in monetary conditions, with cash bond and futures prices closing lower.

Dealers said trading was dominated by investors taking profits following the strong performance of the gilts market since the Conservative election victory.

The Bank of England signalled a ½-point cut in base lending rates in morning money-market operations, supplying short-term liquidity to the banking system just below 10 per cent. The move was widely anticipated in the gilts market, but caused significant selling.

The long-gilt futures contract on Liffe, the London exchange, opened at 99.00 but quickly fell to 97$\frac{13}{32}$ following the rate cut. Through the afternoon session sentiment improved and the contract stood at 98$\frac{5}{32}$ in late afternoon. Volume was heavy at 51,000 contracts.

In the cash market, selling was concentrated at the longer maturities. The 9 per cent gilt maturing 2011, the benchmark long-dated government stock, opened at 99$\frac{25}{32}$ and closed at 99$\frac{13}{32}$ for a yield of 9.06 per cent.

Shorter-dated stocks fared better. The 10 per cent gilt maturing 1994 closed down $\frac{1}{16}$ of a point on the day at 101¼, for a yield of 9.44 per cent.

In addition to profit-taking, the market was unsettled by uncertainty over the outlook for UK inflation as the economy pulls out of recession. Analysts' forecasts for the annual rate of inflation during April range from 4.2 per cent to around 5 per cent. Official data is due to be released on May 15. Lower interest rates were also seen as threatening the position of sterling within the European exchange rate mechanism. The UK currency fell from DM2.93 before the easing was signalled to just above DM2.92 by late afternoon.

Moreover, yesterday's interest rate reduction may be the last for some time. Most economists are forecasting one more rate cut before the year-end.

"There is not much good news on the horizon now," said Mr Phillip Tyson, gilt market analysts at UBS Phillips & Drew. "There is no incentive now to chase yields lower."

Another factor depressing gilts prices at the medium maturities is a partially unsold tap issue announced by the Bank of England on Friday. Dealers estimated yesterday that only around half of the £800m issue of 8¾ per cent gilts maturing 1997 had been sold.

■ GERMAN government bonds moved lower yesterday with investors concerned over continued public sector strikes and plans to introduce withholding tax on interest income from bond market investments.

The 8 per cent Unity fund bond maturing 2002 was trading at 99.64 in late afternoon, for a yield of 8.06 per cent, from around 99.68 at the opening.

The June bund futures contract on Liffe opened at 87.11 but moved down to 86.70 during the day, before recovering to close at 86.86. Volume was very heavy at 83,000 contracts.

Analysts said the government was likely to increase its 4.6 per cent pay offer to striking public sector workers at talks this week. A final settlement much above this level would increase fears of wage inflation, driving up prices throughout the economy and higher interest rates.

The Bundesbank council holds its bi-weekly meeting on Thursday, although few analysts are expecting an immediate rate increase.

The market was unsettled by indications that the opposition Social Democratic party, which controls the lower house of parliament, would vote against the government's compromise withholding tax proposals. If the current package of measures is rejected, more stringent measures may be applied.

■ US Treasury prices firmed slightly yesterday morning, but trading was muted ahead of the afternoon's auction of $15bn of three-year notes in the first leg of the Treasury's $36bn refunding auction.

At mid-session, the Treasury's bellwether 30-year bond was ⅛ higher at 99$\frac{25}{32}$, yielding 8.01 per cent, while the two-year note was off $\frac{1}{32}$ to yield 5.29 per cent.

The Federal Reserve added liquidity to the banking system by arranging $1.5bn in customer repurchase agreements in the open market when Fed funds were trading at 3¾ per cent. The move was widely expected and indicated there had not been a change in monetary policy.

Ahead of the auction, there was concern that the recent urban unrest in the US would discourage Japanese investors from participating. As well as concern about the auction, the market was pre-occupied with the employment numbers slated for release on Friday, which will give the first important piece of evidence about the state of the US economy in April.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	104.3698	+0.439	9.33	9.73	9.80
BELGIUM		9.000	06/01	100.6500	-0.200	8.70	8.66	8.67
CANADA *		8.500	04/02	97.8500	-0.500	8.83	8.90	8.80
DENMARK		9.000	11/00	100.8000	-0.250	8.66	8.61	8.71
FRANCE	BTAN	8.500	03/97	98.4700	-0.014	8.88	8.88	8.90
	OAT	8.500	11/02	98.1500	-0.350	8.76	8.71	8.68
GERMANY		8.000	01/02	99.6800	-0.350	8.04	7.98	8.00
ITALY		12.000	02/02	98.2900	-0.100	12.30†	12.30	12.34
JAPAN	No 119	4.800	06/99	94.1023	-0.058	5.98	6.01	5.97
	No 129	6.400	03/00	103.9748	-0.087	5.67	5.68	5.68
NETHERLANDS		8.250	02/02	98.0600	-0.280	8.38	8.33	8.37
SPAIN		11.300	01/02	102.0000	-0.150	10.64	10.62	10.71
UK GILTS		10.000	11/96	102-15	-05/32	9.31	9.34	10.34
		9.750	08/02	103-18	-16/32	9.20	9.17	9.98
		9.000	10/08	99-13	-18/32	9.07	9.03	9.70
US TREASURY *		7.500	11/01	99-20	-02/32	7.56	7.59	7.42
		8.000	11/21	99-25	-04/32	8.02	8.06	7.88
ECU (French Govt)		8.500	03/02	98-00	-0.290	8.81	8.75	8.69

London closing, *denotes New York morning session. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Amerada Hess aims to raise $400m

By Alan Friedman in New York

AMERADA HESS, the independent US oil and gas group, is hoping to raise more than $400m by way of a share issue to finance projects including its share in a North Sea oil field.

The company said in a filing with the Securities and Exchange Commission (SEC) that it will offer 10m common shares, of which 8m will be available in the US. Goldman Sachs will manage the US offer and the international portion.

Based on yesterday's share price of $41⅞, the issue of 10m shares would raise $418.75m.

In the SEC filing the company said it would use proceeds from the issue to repay part of debt related to major projects. Among these projects is Hess's commitment to develop its share of the Scott Field in the North Sea.

Citicorp turns to dollar floating-rate note sector

By Richard Waters

INTERNATIONAL BONDS

THE SUPINE body of the dollar floating-rate note market gave another twitch yesterday as Citicorp became the second US bank holding company this year to raise funds – a clear sign, according to some, that the market was coming back to life.

Citicorp itself, coming on the heels of BankAmerica in February, had not been to the market for five years. Indeed, it had not been to any public debt market for five years, thanks to the credit concerns that had hit the US banking sector in general, and Citicorp (which has an A2 rating from Moody's) in particular.

The signs of a recovery in the US banking sector, though, have brought the banks back to the public markets, with Citicorp this year already having raised $150m through a domestic subordinated debt issue and $175m in preference share capital. It's arrival yesterday in the Euromarkets signalled a further return to acceptability in the eyes of the investing public, with the ⅞ percentage point spread over Libor offered on its two-year, $150m deal generally regarded as fair.

At that level, Citicorp offers a higher yield pick-up than BankAmerica's $200m issue earlier this year. That five-year transaction came with a 50 basis point spread over 3-month Libor, a level at which it is still trading, though BankAmerica is considered a more attractive name in the market.

Despite Citicorp's disappearance from the public market, it has maintained an almost permanent presence in the medium-term note market. Its reason now for going public: the tighter yield spread, thanks to the perceived marketability of a public issue (though much of the two-year paper is expected to be locked up until maturity by investors looking for the higher yield). According to one estimate, it would have had to pay 95-100 basis points over Libor by issuing MTNs. Despite the favourable reaction to Citicorp yesterday, though, it will take rather longer for the floating-rate note market to be declared fully open once again to US banks.

A floater of a different kind emerged yesterday from HMC, the UK mortgage lender. Its £140m asset-backed issue is only the second this year from a UK mortgage company, thanks to the depressed state of the housing market.

At a spread of 58 basis points over Libor for investors, the HMC deal – expected to get a AAA rating, thanks to the structured nature of the transaction – was also considered fairly priced and was said to have met firm demand from UK and continental European investors.

The Republic of Turkey is set to come to the international bond market later this week with its first Ecu transaction, led by Paribas Capital Markets. The Ecu150m, three-year deal is expected to offer a spread of 180-200 basis points over Libor when swapped.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US Dollar						
Citicorp(b)‡†	150	(b)	99.75	1994	20/12.5bp	Kidder,Peabody Intl.
STERLING						
HMC Mortgage Notes 9 Plc(e)‡†	140	(e)	100	2034	35/21bp	Swiss Bank Corp.
FRENCH FRANCS						
Credit Lyonnais(c)†	2bn	(c)	100.15	1996	27.5/15bp	Credit Lyonnais
LIRE						
Dresdner Finance BV(a)†	150bn	11.75	101.70	1997	1⅞/1¼	Banca Comm. Italiana
PESETAS						
EIB(d)†	25bn	10	101.07	1997	1⅝/1	Banco Cent.Hispano

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Coupon pays 75bp above 3 month Libor rate. c) Fungible with existing 1bn bond. Non-callable. d) Matador bond. Non-callable. e) Coupon pays 53bp above 3 month Libor. Mortgage backed. 4.6 years average life.

Buyers show early interest in first Taiwanese sell-off

By Richard Waters

INTERNATIONAL EQUITY ISSUES

THE FIRST Taiwanese privatisation – offering the first opportunity for foreign investors to invest direct in a Taiwanese company, rather than through a mutual fund – gets into full swing this week, with early indications that much of the stock on offer internationally has already found buyers.

The privatisation of China Steel has been keenly awaited internationally all year, and there seems little sign at this stage that the transaction will disappoint its supporters. In all, 18m depository receipts, each representing 20 shares, have been put on offer to foreign investors, of which 10.5m receipts have been offered outside the US.

According to one adviser close to the transaction, this non-US portion has already been fully subscribed, with the roadshow to promote the flotation only just getting into gear in Europe. The US promotion is due next week.

In all, just over 1bn shares are on offer, 680m of them domestically. At a current market price of around T$24 each, the privatisation is set to raise almost US$1bn.

The flow of transactions from Asia looks set to continue in the weeks ahead: Grasim, an Indian cement and fibre producer, is queueing up to follow in the wake of Reliance Industries, which is on the brink of pioneering a move by Indian companies to attract international equity capital, while Kia Steel is set to join the growing stream of Korean companies with a $40m convertible offering.

Not that all the news from Asia has been positive in recent days: political uncertainty in Thailand led to the suspension last week of the first international share sale from that country, a $40m offer of global depository receipts from Shinawatra, a computer company.

● The rating on the long-term debt of Ontario and Ontario Hydro, two of the international bond market's most active borrowers, was cut by US rating agency Standard & Poor's yesterday in reaction to its budget announcement last week. The ratings of both entities – which between them borrowed about C$10bn last year – was lowered from AA+ to AA.

Pioneer Group to launch mutual fund in Poland

By Christopher Bobinski in Warsaw

PIONEER GROUP, the US based investment fund, is to launch Poland's first foreign run mutual fund next month.

Mr John Cogan, Pioneer's president, said the venture will be investing Poles' savings in local equities on the country's fledgling stock exchange as well as in government bonds.

Pioneer has also applied for permission from the NBP, the central bank, to invest 10 per cent of the fund's assets abroad.

Poland's state owned PKO bank will be responsible for the distribution of the units for the fund which is called the Pioneer 1st Polish Trust Fund.

Mr Cogan is looking for Poles to deposit some $50m in the fund within the first 12 months but he admits that demand at the moment is "absolutely unknown". Pioneer will limit its investments in any one company on the stock exchange to 10 per cent.

At present the Warsaw bourse trades in stocks of 13 companies with a capital value of some $150m. The number is expected to rise to more than 20 companies by the end of the year.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7 05 pm on May 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105	106¼		6.62	BAYERISCHE VEREINS INT 7 94 LFr	600	94½	95¼		9.72
ALBERTA PROVINCE 9 3/8 95	600	107¼	108¼	+⅛	6.77	COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.14
AUSTRIA 8 1/2 00	400	104¼	104¾	+⅛	7.74	WORLD BANK 8 96 LFr	1000	97	98		8.93
[illegible]						[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	47	21
Other Fixed Interest	0	15	2
Commercial, Industrial	458	209	787
Financial & Property	252	59	479
Oil & Gas	25	11	52
Plantations	1	1	7
Mines	33	19	95
Others	64	29	49
Totals	844	390	1,492

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	96	87	Amicable Smaller	96	+1	N3.1	–	4.3	–
–	F.P.	–	30	27	Do. Warrants	29		–	–	–	–
–	F.P.	–	413	376	Bodycote Intl. (RFD)	412		8.75	3.0	2.8	15.1
–	F.P.	–	4	2	Brent Walker Wts to Sub	4		–	–	–	–
125	F.P.	–	135	111	Brit. Data Management	129		84.0	2.7	4.1	11.3
–	F.P.	–	36	20	♦CRP Leisure	20		–	–	–	–
–	F.P.	–	106	93	CU Environmental	106	+1	–	–	–	–
–	F.P.	–	30	20	Do. Warrants	30	+1	–	–	–	–
†	F.P.	–	98	56	Capital Industries 1p	98	+2	2.0	–	2.7	–
70	F.P.	–	72	63	Fleming Inc & Cap Tst Inc	70		F4.73	–	9.0	–
100	F.P.	–	107	94	Do. Units	106		F4.73	–	5.9	–
30	F.P	–	35¼	30½	Do. Zero Div. Pf.	34¼	–½	–	–	–	–
110	F.P.	–	161	119	Forth Ports	159	+1	W5.5	3.6	4.6	8.0
£10⅝	F.P.	–	£12¼	£10⅝	Latin Am Inc & Appr. 1c	£10¼		–	–	–	–
–	F.P.	–	39½	34½	M & G Recovery Inc.	39½		F3.75	–	12.7	–
–	F.P.	–	22½	12¼	Do. Capital	22½	+1	–	–	–	–
–	F.P.	–	60½	46½	Do Geared Units	60½	+½	F3.75	–	8.3	–
–	F.P.	–	113	96	Do. Package Units	113	+1	F3.75	–	4.4	–
–	F.P.	–	11	¼	Multitrust Warrants	11		–	–	–	–
–	F.P.	–	4¼	4	Platignum A	4½		–	–	–	–
115	F.P.	–	139	121	Rosebys	138		14.3	1.7	4.2	15.9
100	F.P.	–	103	98	Templeton Emrg. Mkts. C	103	+1	–	–	–	–
585	F.P.	–	662	620	Waste Management Intl.	638	+8	–	–	–	–
–	F.P.	–	24½	22½	Welpac (RFD)	24½		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	103¼p	97¼p	Bank of Ireland Units Non-Cum Prf A	103¼p	
-	F.P.	-	15p	8p	Brent Walker Var Rte 2nd Prf '00/07	14p	+1
-	F.P.	-	12p	7p	Do.8½pc 3rd Non-Cum Cnv Prf 2007/10	9p	-2
10p	F.P.	-	10p	8p	Butte Mining 10pc (Net) Cv Prf 1994	8p	
100	F.P.	-	107½	92½	Camborne Inds. 10½pc Rd. Deb. 2001	95¢	
100p	F.P.	-	108p	100p	Fidelity Euro. Values Equity Ln 2001	108p	
105	F.P.	-	110	98	Greencore 9.5% Cnv Un Ln Stk 1995	105	
-	F.P.	-	53¼p	48½p	M & G Recovery Zero Div Prf 1p	53¼p	+¼
100p	F.P	-	105¼p	97p	NatWest Bank 9pc Prf Series A	104¼p	+¼
650p	P.P	-	467p	330p	Thorn EMI Non-Int. Bearing Cv Units	462p	+5
♦	F.P.	-	75p	68p	Wembley 6p (Net) Cv Cum Prf 1999	71p	+3

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
105	Nil	29/5	32pm	8pm	European Motor	27pm	-1
36	Nil	6/5	14pm	4pm	Kynoch (G & G)	5pm	
63	Nil	12/6	21pm	6pm	Resort Hotels	6pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. z Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings May 1
● Last Dealings May 15
● Last Declarations August 6
● For settlement August 17

3-month call rate indications are also shown on this page.

Calls in **ADT, Aegis, ASDA, Benson Group, Crest Nicholson, Conroy Petrlm., Emess, Hanson warrants, Kunick, Lonrho, Psion, Saatchi & Saatchi, Frank Usher, Speyhawk, Tarmac and Vistec.** Puts in **British Airways and Tarmac.** Puts and calls in **Amber Day and Medeva.**

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*629)	550	85	97	107	3½	8½	13
	600	41	62	73	16	23	27
	650	16	35	46	44	48	54
ASDA (*28)	20	11	12	13	1½	2	2
	25	7	8½	10½	2	3	4½
	30	3	6	8½	4½	5½	7
Brit. Airways (*287)	260	33	42	47	8	10	17
	280	20	30	36	16	21	25
	300	10	22	27	28	32	36
SmKl Beecham A (*870)	800	97	122	140	10	21	28
	850	58	87	108	24	36	46
	900	32	59	80	51	60	68
Boots (*464)	460	23	35	43	17	21	25
	500	6½	18	26	43	46	50
B.P. (*263)	260	13	17	19	9½	14	19
	280	4½	9	11½	24	27	31
British Steel (*82)	80	7½	10½	11	5	6½	9
	90	3	5½	6½	11	12½	14
Bass (*610)	600	31	48	57	17	27	31
	650	9	25	35	52	57	60
C & Wire (*568)	550	40	57	69	18	24	28
	600	15	30	43	47	52	55
Courtaulds (*600)	600	27	47	59	28	36	40
	650	9	26	38	62	68	70
Com. Union (*485)	460	43	50	60	8½	18	21
	500	19	29	40	27	37	41
Fisons (*392)	390	25	42	50	19	27	32
	420	14	27	36	38	44	49
GKN (*397)	390	26	32	43	13	22	24
	420	11	19	29	30	38	40
Grand Met. (*480)	475	28	37	–	13	21	–
	500	16	27	38	26	34	37
I.C.I. (*1364)	1350	73	100	138	36	61	69
	1400	49	75	110	62	87	94
Kingfisher (*542)	500	52	65	80	8	17	21
	550	22	37	52	28	38	42
Ladbroke (*254)	240	24	32	36	6½	12	14
	260	13	22	25	15	22	24
Land Secur (*444)	420	29	36	42	12	16	20
	460	8½	17	23	38	40	41
M & S (*334)	330	16	27	33	13	16	18
	360	5½	12	20	33	34	34
Sainsbury (*426)	420	19	37	47	14	20	21
	460	7	18	27	40	42	43
Shell Trans. (*481)	460	37	45	54	6	11½	13½
	500	12½	21	32	24	31	33
Storehouse (*132)	130	11	16	19	7½	12	14
	140	6	12	15	15	17	21
Trafalgar (*161)	160	14	24	28	15	20	25
	180	7½	15	20	28	33	37
Utd Biscuits (*415)	390	39	49	52	5	10	13
	420	18	30	34	17	22	24
Unilever (*904)	900	45	77	92	19	28	32
	950	19	45	65	47	55	57

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*326)	300	33	47	50	2	8	14
	330	15	29	32	12	22	29
	360	3	14	20	35	40	48
BAA (*623)	550	80	89	115	2	5	9
	600	35	50	70	4½	17	24
	650	7	20	43	30	42	48
BAT Inds (*780)	750	38	62	73	5	22	32
	800	9	33	47	30	45	59
	850	2	16	29	73	83	90
BTR (*467)	420	52	61	67	1	3	7
	460	16	32	37	6½	13	20
	500	2	12	18	34	35	42
Brit. Telecom (*342)	330	16	25	30	3	11	14½
	360	2½	10	15	20	30	31
Cadbury Sch (*465)	460	14	32	43	6	14	19
	500	2	13	23	38	38	41
Eastern Elec (*279)	270	15	–	–	4½	–	–
	300	3	7	12	22	32	35
Guinness (*612)	600	24	48	63	8	19	25
	650	4	23	35	42	47	48
GEC (*227)	220	10½	15½	21	2½	8	10½
	240	2	5½	11	15	21	22
Hanson (*231)	220	15	19	23½	2	5½	8½
	240	2½	8½	12½	10½	15½	18½
LASMO (*216)	200	22	33	38	4	10	14
	220	9	20	28	12	18	22
Lucas Inds (*138)	130	11	17	21	2½	6	10
	140	5	10½	15	6½	11	15
P. & O. (*514)	500	24	46	51	7	18	29
	519	12½	–	–	16	–	–
Pilkington (*158)	140	21	25	28	1½	6	9
	160	6	11	18	7	15	19
Prudential (*250)	240	15	25	29	3½	7½	13
	260	5	14	19	13	17	22
R.T.Z. (*623)	600	32	52	72	5	16	24
	650	6	27	45	31	41	48
Scot. & New (*469)	460	22	35	45	7	18	24
	500	4½	15	24	35	43	50
Tesco (*273)	260	17	27	34	2	6	9
	280	5	15	22	12	14	18
Thames Water (*437)	420	24	30	40	4	15	18
	460	4	12	21	26	40	42
Vodafone (*349)	330	24	34	45	3	10	15
	360	6	17	29	16	25	28

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Abbey Nat. (*297)	260	42	46	53	2	4	6
	280	24	30	39	4	8	11
	300	12	18	26	11	15	19
Amstrad (*36½)	30	8	10½	12	2	3	4½
	35	4½	7	9	4	5½	7
	40	3	5	7	6½	8	10
Barclays (*345)	330	25	32	39	5	13	16
	360	8	15	23	19	29	31
	390	3	6½	13	47	51	53
Blue Circle (*273)	260	24	33	39	5½	11	15
	280	12	20	29	13	19	24
British Gas (*265)	260	14	22	25	6	8½	13
	280	4	11½	14½	17	19	24
Dixons (*248)	240	19	25	33	6½	14	16
	260	10	16	24	18	24	27
Eurotunnel (*392)	390	30	45	64	25	34	40
	420	14	33	49	43	53	58
Glaxo (*752)	750	43	69	92	32	53	64
	800	21	45	69	63	80	90
Hillsdown (*194)	180	15	21	26	5	9	13
	200	5	10	16	16	19	22
Lonrho (*98)	90	15	20	25	4	8	11
	100	8½	15	19	8	12	16
Midland Bk (*382)	360	33	45	52	5	13	16
	390	13	28	38	19	26	33
National Power (*220)	215	14	18	–	5	10½	–
	235	4	8	–	17	22	–
Reuters (*1207)	1200	67	108	147	42	64	77
	1250	43	82	120	67	100	105
R. Royce (*171)	160	16	21	26½	3½	7	9
	180	5	10	16	12	16½	18
Scottish Power (*175)	170	11	13½	16	4½	10½	11½
	180	5½	8½	12	9	16	17
Sears (*101)	100	7½	10	12	7	10	11
	110	4½	5½	9	15	15	19
Forte (*245)	240	16	22	28	7	10½	15
	260	6	12	18	19	22	25
Thorn EMI (*856)	850	30	41	55	18	39	44
	900	11	19	34	48	71	74
TSB (*140)	140	7	10	14	5	10	11
	160	1½	3½	6½	22	23	24
Vaal Reefs (*553)	50	4½	6	7½	2½	5	6
	60	2	2½	4½	9	12	13
Wellcome (*1056)	1050	59	101	131	44	65	80
	1100	35	72	105	75	95	110

EURO FT-SE INDEX (*2662)

	2475	2525	2575	2625	2675	2725	2775	2825
CALLS								
May	215	166	118	77	44	18	6	3
Jun	230	185	140	100	63	35	18	8
Jul	–	195	–	117	–	62	–	24
Sep	–	230	–	155	–	100	–	58
Dec	–	285	–	210	–	150	–	97
Mar	–	315	–	250	–	190	–	140
PUTS								
May	2½	5	8	15	31	60	95	140
Jun	7	9	14	25	39	60	90	130
Jul	–	16	–	35	–	77	–	135
Sep	–	33	–	60	–	98	–	148
Dec	–	43	–	67	–	100	–	150
Mar	–	60	–	85	–	110	–	155

FT-SE INDEX (*2662)

	2450	2500	2550	2600	2650	2700	2750	2800
CALLS								
May	235	186	140	94	55	23	7	2
Jun	253	206	160	117	78	47	25	11
Jul	268	222	180	137	102	72	47	29
Aug	285	245	200	160	130	95	70	50
Dec †	–	305	–	228	–	168	–	115
PUTS								
May	1½	2½	4	8	17	40	90	140
Jun	4	5	9	18	31	51	92	140
Jul	8	12	17	28	42	63	93	140
Aug	15	19	25	37	55	70	100	143
Dec †	–	45	–	70	–	104	–	155

May 5 Total Contracts 34,698
Calls 26,089 Puts 8,609
FT-SE Index Calls 5,727 Puts 3,377
Euro FT-SE Calls 495 Puts 500
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

Stock	p	Stock	p	Stock	p	Stock	p	Stock	p
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	14	Sears	9	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	22	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6½	Courtaulds	39	Lex Service	18	TI	48	BP	20
Astec (BSR)	3	Eurotunnel	29	Lloyds Bank	32	TSB	11½	Burmah Castrol	44
BAT Inds	10	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	7
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	83	Gaelic Res	½
BTR	32	Forte	21	Marks Spencer	27	T & N	11½	Premier Cons	2½
Barclays	26	GKN	30	Midland Bank	30	Unilever	70	Shell	33
Blue Circle	25	Gen Accident	38	NatWest Bank	26	Vickers	13	Tuskar Res	½
Boots	39	GEC	15	P & O Dfd	37	Wellcome	80	■ MINES	
Bowater	60	Glaxo	59	Racal Elect	5	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	35	RHM	18	Brit Land	19		
British Steel	6½	GRE	12	Rank Org	55	Land Sec.	34		
Brit Telecom	24	Hanson	18	Ratners	2½	MEPC	26		
Cadburys	33	ICI	95	Reed Intl	44	Mountleigh	1½		

GPA shareholder lock-in agreement 'now in place'

By Tim Coone in Dublin

THE FINAL go-ahead for the flotation of GPA, the world's largest aviation leasing company, cannot be given without a lock-in agreement with existing main shareholders, according to Mr Maurice Foley, vice-chairman and president.

Speaking at the company's headquarters at Shannon, Mr Foley said: "If any major shareholder does not agree to a lock-in there will not be an public offering . . . the US underwriters will not underwrite the issue without it." He insisted that such an agreement is now in place, although he admitted that it is not yet *"signed and sealed". The flota*tion is scheduled for mid-June and the pathfinder prospectus is due to released within the next two weeks.

Under the terms of the lock-in, leading shareholders would not be able to dispose of more than 15-20 per cent of their shares in the first year after flotation.

Both Air Canada and Aer Lingus, which between them hold 21 per cent of the company, are known to want to dispose of substantial parts of their holdings in order to finance new investment in their own companies. However, GPA and its underwriters are concerned that any sizeable disposals alongside the flotation would depress the share price and possibly leave the underwriters holding stock.

Aer Lingus said yesterday that its position had not changed since last week in that *agreement had been reached* "in principle" on the lock-in, but that "some details still remain to be finalised" with GPA.

Other substantial shareholders include Mitsubishi Trust and Banking Corporation (13.48 per cent), Prudential Assurance Co of America (8.1 per cent), Irish Life (6.71 per cent), Investment Bank of Ireland (4.25 per cent) and Allied Irish Investment Bank (3.43 per cent). Irish Life declined to comment saying that GPA had asked for the negotiations on the lock-in to be treated in confidence.

GPA is expected to float about 30m shares at a price in the $20-$25 range. There are currently 95m called up and fully paid ordinary shares, plus a further 9.3m A shares held by the Mr Tony Ryan, founder and executive chairman.

Mr Ryan said that all the *directors had agreed to* a lock-in for their own shareholdings, although he declined to say whether these are signed or verbal agreements. "I can tell you I have signed mine" he said.

Ward shares suspended

By Andrew Taylor, Construction Correspondent

Shares in Ward Group, the loss-making structural steel and building components combine, were suspended yesterday at the company's request pending clarification of its financial position.

A statement on its future is expected later this week. The shares were suspended at 63p; a year ago they were standing at more than 200p.

During the first half of last year Ward incurred a pre-tax loss of £3.48m, compared with a profit of £5.28m, blaming the downturn on the recession in the construction industry.

Anglian appoints its advisers for flotation

By Maggie Urry

ANGLIAN GROUP, the double-glazing combine bought out for £84.5m from BET in December 1990, has appointed advisers for its planned stock market flotation which could value it at some £200m.

NM Rothschild is the merchant bank and James Capel the stockbroker.

The flotation, likely to take place in the summer, comes much sooner after the buy-out than expected, as the group has achieved record profits despite the recession.

Anglian is the leading retail double glazing company in the UK with 7-8 per cent of the market.

The prospectus is expected to show that Anglian made operating profits of £22.5m for the year to end-March, compared with about £15m

When BET sold Anglian it was expected to make trading profits of £10m in the 1990-91 financial year. At the time BET bought a £30m 12 per cent loan note from Anglian to help finance the buy-out. This was refinanced in March.

Proceeds of the float will repay the £30m debt, and £23m of preference capital and probably leave the company with some net cash.

Jarvis improves in second half but cuts dividend

SOME MEASURE of improvement was achieved by Jarvis in the second half, and for 1991 overall this contracting, construction and property group made a pre-tax profit of £238,000.

However, that compared with £1m previously, and the final dividend is cut to 0.325p for a total of 0.575p, against 2p. Earnings per share were 0.8p (4.2p).

Mr Harvey Bard, chairman, said the construction division did not produce a satisfactory result. There was a poor performance from the building side, offset to some extent by a good result from civil engineering and a reasonable show in products and services.

*The building side had to suf*fer a material reduction in staffing and overheads to shape it to meet the available opportunities. The substantial cost of such had been included in the accounts.

The property division made a continuing improvement following further rent reviews.

At the year-end net borrowings were equivalent to 24 per cent (34 per cent) of shareholders' funds.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Morgan Grenfell Equity Inc, Morland, New Frontiers Dev, Overseas Inv Trust, Royal Bank of Scotland, Stanhope Props, Tate & Lyle, Trafalgar House.

Finals- Beattie (James), Cresta, Forward, LIT, Silentnight, Smurfit (Jefferson).

FUTURE DATES

Interims-

Aberdeen Trust	May 11
Archimedes Inv Trust	May 19
Baggeridge Brick	May 20
Ferry Pickering	May 21
Fidelity Japan OTC	May 12
Grand Metropolitan	May 14
Holmes & Marchant	May 15
Huntingdon Intl	May 11
Johnson & Firth Brown	June 10
Kunick	May 19
Leveraged Opportunity	May 7
Manakin	May 12
Smart (J)	May 28
Southern Radio	May 11
Young (H)	May 19

Finals-

Allied Irish Banks	May 13
Berry, Birch & Noble	May 18
Continuous Stationery	May 7
Contra-Cyclical Inv	May 12
Courtaulds	May 20
Expedier	May 28
Intl Comm. & Data	June 11
Jackson Group	May 21
Linton Park	May 8
RIT Capital Partners	May 14
Radiotrust	May 8
600 Group	June 4
Whitbread Investment	May 7
Windsor	May 11
Yorklyde	May 14

Two directors leave Greenwich Resources

By Kenneth Gooding, Mining Correspondent

Two executive directors of Greenwich Resources, the UK gold mining company, have resigned because, according to Mr David Quick, managing director, the company could no longer afford them.

Mr Jan Szymanski, 38, finance director, and Mr Roger *Davey, 46, operations director,* would receive compensation payments but "they will not be huge."

Mr Quick said full details of the company's financial position would be given with the interim results in mid-June but he emphasised that Greenwich was well-funded. "However, we have been carrying a relatively high office overhead with four executive directors for a small range of projects."

Since Mr Quick and Mr Colin Phipps, chairman, took over at Greenwich at the end of 1988 to sort out a liquidity crisis, the company has dropped projects in Egypt and the Sudan but continued with some in Venezuela and, on a modest scale, Greece.

IN BRIEF

EAST MIDLANDS Electricity has, through a subsidiary, acquired the fixed assets, certain ongoing contracts and the Robert Heyworth name from the receiver for a maximum of £1.1m cash. Heyworth designs, supplies and installs heating, *ventilation* and air conditioning systems.

HICKING PENTECOST has acquired Thompson Horseley Bridge Water Storage Business from Northern Engineering Industries, a subsidiary of Rolls-Royce. Consideration will be satisfied in cash and, depending on stock values at completion in May, will not exceed £500,000. In 1991 Thompson Horseley made operating profits of £145,000 on turnover of £2.8m.

I&S UK Smaller Companies Trust saw net asset value fall from 97.71p to 88.96p over the year to March 31. It had, however, risen to 94.13p at April 29. Earnings amounted to 4.03p (2p) per share. The dividend is held at 2p on increased capital.

IPECO has acquired Pulse for a maximum £565,000 cash. Pulse designs and makes power conversion and energy storage devices, *mainly for the UK defence industry.*

PARK FOOD Group: Park Food (Warrington), a wholly-owned subsidiary, has sold its freehold interest in a 7.66 acre industrial estate at Hawarden, Clwyd, to Kusie for £1.8m, of which £1m has been received in cash and added to group deposits.

RATHBONE BROTHERS is to seek approval to move to the Official List. It is anticipated that the shares will be dealt in with effect from June 8. A 1-for-1 scrip issue has also been recommended.

Honeymoon accounting offers financial advantages

Richard Gourlay considers one of TI's past acquisition accounting practices

THE LAUNCH last week of TI Group's hostile bid for Dowty, the aerospace company, raised familiar questions about how Mr Christopher Lewinton, the TI chairman, accounts for acquisitions in his rapidly growing engineering group.

Although within accounting standards, TI's past treatment of acquisitions is almost certain to figure prominently in Dowty's defence this month.

The ensuing debate will again highlight current accounting rules which grant acquiring companies a financial honeymoon during which to reorganise their prize, a luxury not available to the same degree to incumbent managements.

Ironically Mr Michael Garner, TI's finance director, is a member of the Accounting Standards Board which later this year will produce a draft standard covering the treatment of fair value adjustments on acquisitions.

This well-established practice allows the cost of reorganising an acquisition to be defrayed without impacting on profits. It has been widely criticised as a way in which ordinary operating costs can be 'lost', boosting reported profits and earnings.

The acquisition accounting issue looms particularly large for TI. Its rapid transformation since 1986 from Tube Investments has involved a heavy acquisition programme and an equally heavy use of fair value adjustments. Over the period it spent about £500m on acquisitions and another £100m on reorganisation.

Almost all acquisitive companies make use of the practice. At its simplest it allows an acquiring company to identify costs of reorganisation, redundancies and plant closures and to set up provisions in the balance sheet against which future costs can be charged.

But in 1990, TI was widely criticised in the City for taking the practice to the limits of what was acceptable.

Fair value provisions are usually set up soon after an acquisition and released over 18 months. In its 1989 accounts TI made £92m of fair value provisions, some £59m of which related to "additional" goodwill write-offs relating to its 1988 acquisitions. The "additional" provision was more than half that year's pre-tax profits of £112m.

Critics said these costs, referred to as a major rationalisation of manufacturing facilities, systems and organisational structures in the 1989 accounts, might have been better treated as exceptionals or operating costs in what was by than an on-going business.

Mr Lewinton and Mr Garner insist there was nothing wrong with this treatment – and indeed Price Waterhouse, TI's auditors, did not qualify the accounts.

"We had always had an agreement with our auditors that we would not rush to finalise provisions in one balance sheet," said Mr Garner. The reasoning behind this "second bite" at the provisions had, however, been poorly communicated to the City.

Some analysts have argued there is more to TI's second bite.

First of all, TI had 11 months after the acquisition of Bundy, in April 1988, before the auditors signed off the 1988 accounts during which to identify potential write-offs. It also had an opportunity before the bid, which was agreed, and allowed TI to do full due diligence on Bundy.

Mr Garner said that the opportunity for further restructuring, and therefore additional provisions, only came to light once senior members of the Bundy board left nearly a year after the acquisition and fresh ideas from more junior executives surfaced.

The debate is not academic as it has implications for TI's cash flow. TI's unbroken record of strongly positive funds generation since 1986 would be severely dented if some of its past provisions were treated as on-going operating costs. In 1989, for instance, a tougher accounting treatment of the second Bundy provision would have meant TI's operations were actually a drain on funds.

TI argues that debate about its accounting practices is of limited value. It now communicated properly with the City and in any case it the Dowty offer included a full cash alternative, Mr Garner said. Furthermore if TI were successful it said it would make only one set of provisions which would be clearly identified against what they would be applied.

But Dowty shareholders contemplating the share offer, like TI's own shareholders, have considerable interest in the value of the predator's paper.

Few would question Mr Lewinton's achievement in transforming TI since 1986 or the quality of the company he has created.

However there is also no doubt that acquisition accounting has helped TI maintain the kind of earnings per share growth which fund managers "in the 1980s . . . wanted companies to deliver . . . above all else", in the words of Mr Terry Smith, head of UK research at UBS Phillips & Drew in his introduction to a study of the art, which was published last year.

For the moment, however, the market appears content with TI's accounting, signalling its continued love affair with the promise of further earnings growth, which Mr Lewinton said would resume after 1993 following a successful bid.

Supporting this view of the quality of TI, Moody's Investors Service, the US credit rating agency, yesterday confirmed TI's A1 rating.

Williams Holdings, the conglomerate, again refused to comment on market rumour that it was about to play the white knight to Dowty.

*Williams said it never com*mented on rumours. Its shares fell 15p to 329p following a report in the weekend press that it had held meetings with Dowty concerning a friendly merger. However, sources close to Dowty and Williams said no meetings or contact had taken place between the two companies and that a friendly bid was unlikely.

Williams last week sold its holding of 9.9 per cent in Racal Electronics for a net £81m.

Mr Brian McGowan, chief executive, said last week that Williams would probably concentrate on buying large businesses from big companies that were refocusing on core businesses rather than undertake hostile bids in the short term.

Tony Andrews

Christopher Lewinton: defending TI's accountancy

Wound management helps Smith & Nephew rise 9%

By Richard Gourlay

SMITH & NEPHEW, the international healthcare and consumer products group, yesterday reported a 9 per cent increase in first quarter profits after sales continued to grow rapidly in its orthopaedic and wound management divisions.

Pre-tax profits rose from a restated £28.6m to £31.1m on sales ahead 11 per cent at £201.1m. This represented a 0.1p rise in earnings per share to 2p.

The UK consumer business, which held the group back in 1991, continued to be adversely affected by recession.

The healthcare businesses had, however, maintained margins. The sales increase was equivalent to an underlying growth rate of 8 per cent after adjusting for acquisitions, disposals and exchange differences.

S&N's tax rate rose from 27 per cent to 29 per cent, reflecting the greater proportion of profits derived outside the UK.

The results were in line with market expectations and "confirmed progress in the core healthcare businesses", said Mr Eric Kinder, chairman.

S&N is best known in the UK for its branded consumer goods, such as Nivea and Elastoplast, but this division has been badly mauled by recession.

The group also suffered last year from a one-off £7m fall in profits connected with its loptex intraocular lens business after the US government slashed the level of reimbursements that it would pay.

Last year, the new management's focus on areas such as hip and knee implants and its wound dressings began to show through in higher margins. The group has also emerged from under the weight of some acquisitions made in the 1980's drive for international coverage, which were less than totally successful.

As a result S&N's share price over the last year has risen by more than 50 per cent to 160½p.

See Lex

WPP still in talks on financial structure

By Maggie Urry

SHARES in WPP Group, the marketing services combine, fell 5p to 63p yesterday when the company said it was continuing talks about strengthening its capital structure and improving liquidity. Analysts feared either a share issue or sales of assets at prices too low to offset the loss of their earnings.

The group's shares fell during April to a low of 54p by the end of the month as rumours about the company's financial position circulated around the stock market. Last week they bounced to 68p.

WPP, which owns J Walter Thompson and Ogilvy & Mather, had warned in mid-March that discussions were continuing with bankers about ways of improving its capital structure. It said then that it might float its market research business and its Far Eastern operations or sell Scali McCabe Sloves, its US advertising agency.

At the end of 1991 WPP's balance sheet had net debt of £334m and negative shareholders' funds of £268m. In April last year the group agreed a $1bn (£560m) debt rescheduling with its banks, under which $400m of debt would be repaid in June 1993.

However, WPP's refinancing did not involve issuing shares, unlike that of Saatchi & Saatchi where existing shareholders found their interests heavily diluted.

Correction

Kelt Energy

Kelt Energy is run as an independent oil company and not by a group of banks as stated in the Financial Times on Saturday May 2.

An institution central to Hong Kong's existence

Simon Holberton on the colony's reaction to HSBC's bid for Midland Bank

HONGKONG and Shanghai Bank bestrides the colony in a way few institutions of its type or size could hope to in other parts of the world. It is simply the single most important financial institution in Hong Kong.

But Hongkong Bank's bid for Midland has divided the colony of which the bank is uncrowned king. Many of its investors do not like the offer and shudder at the thought of a higher bid; possible confrontation with China also looms if the bank is forced to offer more than the one share plus a £1 bond for each Midland share it has already offered.

Hong Kong without Hongkong Bank is unthinkable; the Hongkong Bank without Hong Kong is even more so. Last year, the bank earned 86 per cent, or £761m, of its pre-tax profits in Hong Kong; the colony accounts for 45 per cent of its assets.

The bank's chairman, Mr William Purves, sits on the governor's executive council, the highest policy-making body in the colony. Moreover, Mr Purves is chairman of the Jockey Club – the focal point for the local Chinese passion for gambling and the expatriate desire for social position.

Hongkong Bank is also the centre of the banking system in Hong Kong. As an agent of government it issues banknotes and it also operates the clearing system. It is the government's chief banker and its position within the Hong Kong Bankers' Association – the group that sets interest rates and qualifies new-entrant banks – is pre-eminent.

But the bank is the ultimate power broker where it counts most: the ownership of assets in Hong Kong.

It delivered Hutchison Whampoa, Hong Kong's first registered company (1866) and oldest "hong", to Mr Li Ka Shing in 1979; it bailed out the colony's shipping magnates during the world shipping crisis of the mid-1980s; and it is the institution which has done most to support local businessmen such as Mr Gordon Wu, the principle shareholder of Hopewell Holdings, the large developer and builder.

Ashley Ashwood

William Purves: keeping China abreast of developments

Hongkong Bank is a quintessentially management institution. Mr Purves is all-powerful; he dominates the bank's board and senior management. His temper is legendary and few risk challenging him, but he displays an unusual common touch which inspires respect.

Last Tuesday, the day Lloyds said it would bid for Midland, and in between meetings that went well into the night, he spent 20 minutes with an executive who was being posted to the Middle East.

In Mr Purves, 61, the bank has a man of extraordinary energy and purpose. He and his deputy Mr John Grey are highly rated in Hong Kong for their business acumen. But critics do question whether the bank has the depth in management to pull off the Midland merger. The bank prides itself on running a "lean" operation; its critics say management is thinly spread.

The bank is used to being powerful and it is unaccustomed to having its views questioned. Locally, its conduct during the bid for Midland has been criticised for being lacklustre and complacent. The appointment of former Tory minister, Mr Francis Maude, and a public relations guru, Mr Steven Sherbourne, was welcomed by its supporters in the colony but seen as coming a little late in the day.

Given the bank's position in Hong Kong it is not surprising that although many investors in the colony are deeply disappointed with its bid for Midland, none will speak out against it. Unlike London, where investor dissatisfaction with the bid has been aired publicly, no investor who says privately that he will vote his stock against the bid is willing to declare himself publicly.

As one long-time head of a large securities and fund management house noted: "No-one in this town wants to make a permanent enemy of the Hongkong Bank. Hong Kong is a financial village and sooner or later you are going to bump up against the bank."

An FT straw poll of leading fund managers found that about two thirds thought the bank was making a mistake by buying Midland. These investors criticise it for embracing the "flawed" idea of global banking when the 1980s showed that that strategy failed; and, they also criticise it for diluting high growth north Asia earnings with low growth European earnings.

The remaining investors were positive. They see the deal as a once-in-a-lifetime opportunity to make a cheap entry into European banking. Midland is at the bottom of its earnings cycle and due for a big recovery. They believe the bank is also acting in the prudent interests of its shareholders by diluting the "China" risk inherent in its current business, thereby safeguarding shareholders' future interests.

But the bank's restrictions on investors being able to own only 1 per cent of its equity – something which will change if its bid for Midland succeeds – means that many investors feel impotent in the face of what its management wants to do. Therefore many investors have simply voted with their feet.

The bank's share price fell sharply when it announced its bid for Midland and has remained below it's pre-bid high of HK$45.50. On the announcement of its bid terms Hongkong Bank's share price fell to below HK$38. Subsequently it has risen to about HK$42, but mainly, investors say, because the entry of Lloyds into the bidding from Midland has raised shareholders' hopes that Hongkong Bank might fail.

By contrast, Hang Seng Bank, its listed subsidiary, has risen sharply since its true financial position was revealed at the same time Hongkong Bank announced the details of its Midland offer. Hang Seng's share price has doubled since the beginning of March – to about HK$44 – as investors have switched to it from Hongkong Bank.

THE BATTLE FOR MIDLAND

All investors were, however, concerned about the possibility that Hongkong Bank might engage in a bidding war with Lloyds. They forecast widespread dissatisfaction with such a move. China could also be a problem, they said.

"If the bank raises its bid for Midland, China will not like it," says one institutional investor. "It may speak out against it and it might even encourage people to vote against it."

The importance of China to Hongkong Bank is underlined by the bank's reticence in talking about its dealings with Beijing. It takes pains to keep China abreast of what it is doing. It even tipped off Beijing to the possibility of a bid for Midland before Mr Purves made his presentation to the Midland board on March 13.

Mr Purves usually travels to Beijing three or four times a year, each time touching base with the People's Bank, China's central bank, and senior officials of the Hong Kong and Macao Affairs Office of the State Council – the arm of the Chinese government most centrally involved with the transition of the colony to China's rule.

To date China has been neutral-to-positive on the bid for Midland. But it has urged the bank not to pay more for the British clearer and to safeguard the interests of its Hong Kong shareholders and customers.

Banks force Betacom to plan rights for up to £3m

By Peggy Hollinger

BETACOM, the loss-making telephone and answering machine supplier, is planning a £2m-£3m rights issue following pressure from its bankers who are refusing to provide further capital without a strengthening of the equity base.

The company, which also announced reduced pre-tax losses of £515,000 (£2.44m) after exceptionals for the 1991 year, is likely to launch the cash call before the end of June.

Mr Roger Rowland, who took over as non-executive chairman last year following the resignation of founder Mr Dennis Baylin, said the rights issue was crucial to the company's long-term survival.

The share of associates moved from a £67,000 deficit to a profit of £144,000.

The UK division continued to suffer from what Mr Rowland called "high street deal-making . . . We had no option but to knock prices down," he said. However, losses had been reduced and margins protected through cost-cutting, he said.

Turnover in the UK dropped by £5.4m to £11.2m. Including overseas operations sales increased from £18.3m to £19.3m.

Interest charges were marginally lower at £480,000 (£489,000), while debt was about £3m just after the year-end, Mr Rowland said.

Losses per share were reduced from 7.05p to 1.16p.

Brierley Invs sells BSG stake

By Jane Fuller

BRIERLEY Investments, the New Zealand investment company, has raised about £37m by selling its 29.5 per cent stake in BSG International, the motor components, distribution and consumer products group.

Some 60m shares were placed with institutions at 62p apiece.

Brierley made a book profit on selling the stake thanks to writing down its value last year. It probably made an actual loss after holdings costs.

The group said it sold the shares because it did not have much to add to BSG and the price had reached a reasonable level.

It was looking for new opportunities in the UK and the realisation of £37m cash would help that process.

The switch to an investment phase followed the sale of a series of stakes in UK companies, including Vickers and Wm Low, early last year. This was to raise cash after the acquisition of Mount Charlotte Investments, the UK hotel group, for £644m.

Brierley said the gearing reduction phase was concluded with last May's sale of a 30 per cent holding in Mount Charlotte to the Singapore government.

BSG welcomed the divestment. "We never knew IEP's ultimate objective" and it might have been predatory, it said.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
British Fittings ....fin	4	-	5.975	5.375†	7.35
German Smaller .....fin	1.1	July 8	1	1.1	1
Jarvis ....fin	0.325	July 10	1.175	0.575	2
Sanderson Elect .....fin	3.6	July 6	3.3	9	8.7

Dividends shown pence per share net except where otherwise stated.
†On increased capital.

NEWS DIGEST

Sanderson Electronics shares surge

SHARES of Sanderson Electronics yesterday rose 49p to 191p as the group announced a lift of 20 per cent in pre-tax profit for the half year to March 31.

The international computing services group made £1.8m, against £1.5m, achieved on turnover maintained at £10.6m. Earnings per share were 16p (11p).

The second interim dividend is 3.6p to make 9p (8.7p) for the year.

Mr Paul Thompson, chairman, said revenues from maintenance, software licence fees and support contracts were currently providing turnover of some £20m annually.

During the period the company acquired the outstanding 45 per cent of General Automation Limited from General Automation Inc and 51 per cent of Astralogic, which supplies systems for the travel industry, for a total of £1m.

Sanderson operates in the UK through seven trading subsidiaries and overseas via its 49 per cent holding in General Automation Inc, which is quoted on the American stock exchange.

It specialises in open systems software based on the Unix and Pick operating systems, but is broadly based with interests in maintenance and support services.

Lasmo sells peripheral interests

Lasmo, the independent oil and gas explorer, has sold its US upstream interests and Ultramar's Australian exploration blocks for about $78m (£44m) as part of a rationalisation plan.

The company acquired Ultramar in a £1.4bn takeover last year and said then that it would streamline the operations by selling its peripheral interests.

Most of the US business has been sold to Torch Energy and other purchasers for $72m.

The sale excluded its interest in the Bright Star Gas Gathering system in east Texas and the Willow Bayou gas discovery in Louisiana, on which two new wells will be drilled later this year.

Ultramar's Australian interests, including the Katnook gas field, were sold to Sagasco Resources for A$8m (£3.4m).

Lasmo said it continues to explore for oil in Western Australia and in particular on the north west shelf.

Unitech disposes of payphone maker

Unitech, the electronic components group, has sold Rathdown Industries, the payphone manufacturer, for £10.8m. The buyer is GN Investments, a subsidiary of Great Nordic, the Danish telecommunications company.

Mr Peter Curry, chairman of Unitech, said Rathdown did not fit into Unitech's strategy of focusing on three areas: power supplies, connectors and control products.

He said the cash from the disposal would be used to strengthen the balance sheet, bringing gearing to below 50 per cent.

It would also free resources to put into the other three areas, possibly through acquisitions.

Rathdown made pre-tax profits of £843,000 in the year to end-May 1991 and had net assets of £2.5m.

Unitech acquired the company in 1973.

BDA ends year £18,000 in black

With all companies making a positive contribution, BDA Holdings, the property group, stayed in the black through the year to January 31 1992.

After £7,000 in the opening six months, it finished with £18,000, compared to the loss of £2.17m previously. Earnings were 0.1p (losses 14.6p).

AAH acquires five outlets for Vantage

AAH Holdings, the healthcare and distribution group, is continuing its expansion with the acquisition of five pharmacies.

It is buying: IL & JL Robson, which comprises two pharmacies in Carlisle; two pharmacies in Sittingbourne and Milton Regis, Kent, from Paydens; and Fairmans The Chemists in Sunderland from Mr R Platts. The businesses will trade as Vantage Pharmacies within AAH's healthcare division.

The initial aggregate consideration is £2.45m, satisfied by £146,750 cash and the issue of 456,124 ordinary shares. Of these, 253,917 have been placed with institutional clients. Further consideration payable when stock values are confirmed will be in cash. Net assets acquired total not less than £575,000.

Upton & Southern losses doubled

Upton & Southern Holdings, the Cleveland-based department store and property group, saw its loss double to £2.86m in the year to January 25, although turnover rose to £13.6m.

The retailing business showed a satisfactory increase in sales from department stores, but margins were depressed and overall profitability showed a small decline.

To reduce bank borrowings the group sold property developments at Newbury and Richmond and its investment unit in Congleton. The loss on disposals and trading deficit led to the group having a negative net worth of some £500,000, as indicated last November.

Losses per share came to 31.69p. Previously they were 15.76p, when the pre-tax deficit was £1.43m from turnover of £11.7m.

The auditors have qualified the accounts in respect of work-in-progress of £979,000 (£3.83m). They are unable to determine whether the provisions made are sufficient to reduce the book value of work to net realisable value.

SB to co-develop arthritis treatment

SmithKline Beecham, the Anglo-American pharmaceuticals and consumer products group, has signed an agreement to co-develop and market arthritis and cancer treatments with British Bio-technology, an unlisted biotechnology group.

Under the agreement, SB will develop anti-arthritic therapies from the joint-research and enjoy exclusive marketing rights in the US and Japan, and co-development rights in Europe. British Bio-technology will develop cancer therapies arising from the joint-research.

Dr George Poste, SB's chairman of research and development, has argued in the past that such collaborative basic research would become more important given its increasing cost. The two groups have already collaborated on an earlier anti-cancer product which is about to enter clinical trials.

British Bio-technology, based in Oxford, is hoping to be floated later this year.

Wyko disposes of division for £2.25m

Wyko Group is selling the business and certain assets and liabilities of its Wyko Power Plant Gears division to David Brown Engineering for about £2.25m cash.

The proceeds will strengthen the balance sheet and enable the group to improve further its position in the power transmission market. Wyko will concentrate resources on UK and overseas distribution which accounts for some 70 per cent of turnover.

In the year ended April 30 1991, the division reported a profit before interest and tax of £235,000 on turnover of £5.49m.

German Smaller net asset value at 226.9p

Net assets per share at German Smaller Companies Investment Trust fell slightly from 228.9p to 226.9p over the year to end-March.

At September 30 the figure was 233.5p. The diluted figure at the period end was 206.9p, against 208.5p and 212.4p, 12 and six months earlier.

Net revenue was £212,500 (£186,000) for earnings per share of 1.18p (1.04p). A single final dividend of 1.1p (1p) is proposed.

Ptarmigan shares resume trading

Shares in Ptarmigan Holdings, the hotels and food distribution group, began trading again yesterday as the company announced its results for the year to June 30 1991 and for the first half of the current year.

The shares were suspended on January 31 this year as negotiations on a substantial acquisition reached an advanced stage.

It proved impossible to complete these negotiations and talks have ceased. The group is now in talks with other parties.

Ptarmigan reported a pre-tax loss of £719,567 in the 1991 year, against £11,636 previously. Turnover fell slightly from £4.94m to £4.52m.

But in the six months ended December 31 1991, the loss had been reduced to £104,000 on sales of £2.14m.

Mr Philip Wilbraham, chairman, said the year had again proved difficult for the group, particularly in the hotel sector.

The company incurred considerable cost as talks related to withdrawal from the hotels sector failed. This had an unsettling effect on the staff, the chairman said, but changes had since taken place to remotivate them.

The loss-making fish hatchery business had been closed during the year but the remaining businesses had been profitable, Mr Wilbraham added.

Finlan shares suspended

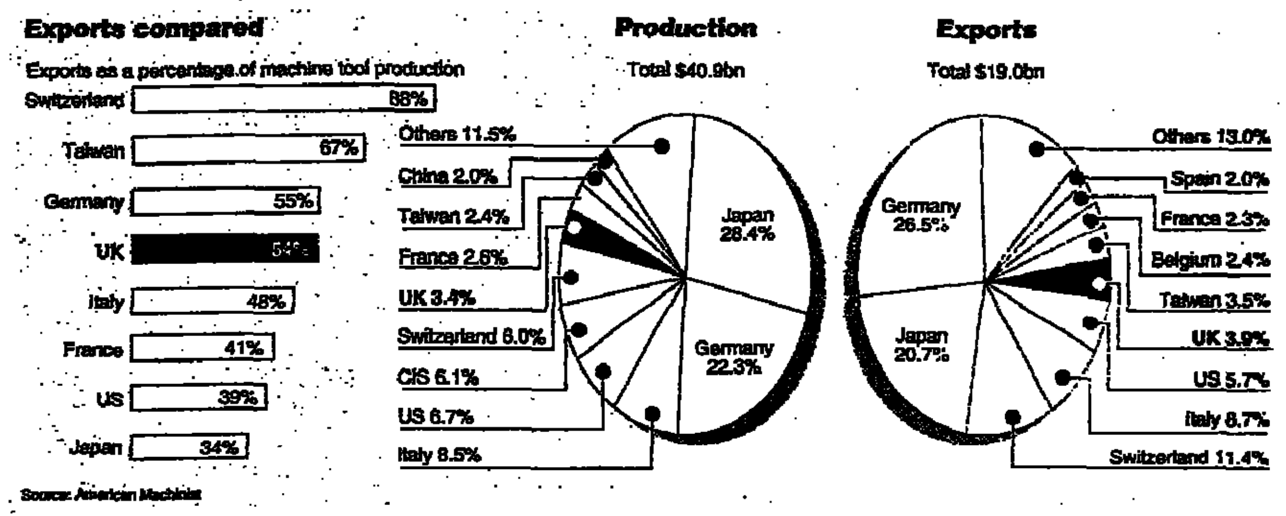
Shares in Finlan Group, the property and building materials company, were suspended at 3p yesterday at the company's request "pending the announcement of a major acquisition."

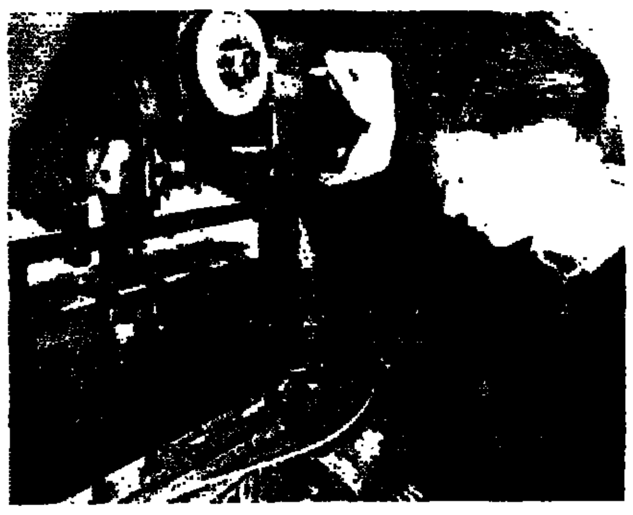
The company, which has suffered heavy losses as a result of the recession in the construction industry, has been substantially refinanced and reorganised since 1989.

FINANCIAL TIMES SURVEY

MACHINE TOOL INDUSTRY

Wednesday May 6 1992





More than 3,000 manufacturers worldwide are hungry for recovery, reports **Andrew Baxter**

Hard-pressed suppliers seek signs of upturn

THE TWIN grinding wheels of world recession and political upheaval have worn down the $41bn world machine tool industry over the past two years, punching large holes into the optimism and self-confidence of the largest producers.

Many of the estimated 3,000 builders of a huge variety of metal-cutting and metal-forming machines used in manufacturing – from the simplest lathes to the most sophisticated multi-function flexible manufacturing systems – have been feeling the pinch.

According to the US magazine *American Machinist*, which annually collates global production and consumption figures, world output of machine tools fell 10 per cent last year to $40.9bn.

The main culprits were downturns of varying length and intensity in leading western markets, which continue this year, and the collapse of markets in eastern Europe and the former Soviet Union following the downfall of communism.

Although the machine tool industry can always produce examples of companies flourishing in niche markets, the outlook can only get better for the bulk of producers.

This is why manufacturers are attaching considerable importance to two leading machine tool exhibitions this month, Mach '92 from today until May 15 at the Birmingham National Exhibition Centre, and Metav, the German machine tool show at Düsseldorf, which runs from May 5 to 9. The shows are a chance, especially for British and German manufacturers, to show that new product development has continued despite market conditions which have exacerbated the European industry's chronic financial weakness – a result of its fragmented industrial structure.

All the larger worldwide producers are aware, after all, that the demands of leading manufacturing customers for faster, more accurate and more flexible production techniques are increasing as they pursue their own global strategies.

Big clients, with the exception of Japanese companies manufacturing in Japan, are no respecters of national boundaries when it comes to the purchase of machine tools.

Reports abound in the industry of stockpiles of unsold equipment at dealers and distributors, especially in Europe. Even the Japanese manufacturers, which over the past 20 years have developed the strongest position in the market through a combination of high-volume, high quality production and marketing muscle, have been affected.

Individual markets and industries have been hit in different ways by varying combinations of the current problems. In the UK, machine tool output fell last year to its lowest level in real terms since 1984, but producers are determined to survive and thus avoid wasting the improvements in product quality and delivery times forced on them after the 1980/81 recession.

Although the UK producers have improved their export position strongly over the past decade, and particularly in the European community, their problems begin at home with a market that misses out on the financial incentives for manufacturing investment made elsewhere.

This is compounded by the industry's lack of visibility and political clout, relatively less supportive banks and higher real interest rates – "British producers tend to feel they have been left out to wither on the vine in a situation that was not of their own making," says Mr Ron Bull, president of the UK Machine Tool Technologies Association.

In the US, production fell about 20 per cent last year, in line with a 19 per cent decline in domestic consumption. Here too, though, the domestic producers are approaching export markets more systematically.

Also, the position of the top two producers, Giddings & Lewis and Cincinnati Milacron, has been strengthened over the past two years, raising hopes that the rise in import penetration by Japanese and European producers can be stemmed.

THE mood in Germany, the largest producer in Europe, could almost be described as shell-shocked. Larger producers such as Maho, the big Bavarian-based milling machine builder, have been in the almost unprecedented situation of reporting losses.

German producers are simply the victims of their own success. Germany is the world's biggest exporter in absolute terms, and along with the downturn in western markets, machine tool builders have had to cope with re-unification at home, which has not brought the bonanza seen in other sectors of mechanical engineering, such as construction equipment. On top of that comes tough new export restrictions introduced on militarily-sensitive industrial exports.

But the biggest problem for the German producers has been the collapse of the eastern European and Soviet markets, where German machine tools financed by German banks dominated purchases of western equipment.

For Japanese producers, too, the immediate outlook is gloomy. At the end of last year, monthly orders received were running about 40 per cent down on the previous year's levels, and output has been reduced since last summer due largely to the weakness of the domestic market.

The downturn is a test of the financial strength of leading companies such as Amada, Yamazaki Mazak and Okuma, but also vindicates the big producers' strategy of expanding manufacturing overseas both to anticipate the European Single Market reforms and to forestall the trade friction that is inevitably fuelled by weak business conditions. And there is little evidence to suggest the big Japanese producers will emerge from the recession with their competitiveness damaged. Elsewhere, the Swiss machine tool industry, proportionately the world's biggest exporter with 88 per cent of output sold abroad, has been indirectly hit by the German downturn, while the large but technically unexciting Soviet industry is in disarray following collapse of the old purchasing networks.

The near-disintegration of the Soviet industry, along with declines in output by east European countries which formerly relied heavily on trading within Comecon, has altered the global balance of power within the machine tool industry.

According to American Machinist, both western Europe and the Pacific Rim countries were able to gain in share of the world's total output last year. The 12-nation Cecimo grouping in Europe raised its share of output from 45 per cent in 1990 to 48 per cent, while the Pacific Rim countries, headed by Japan but followed by Taiwan, China and South Korea, lifted their share from 29 per cent to 35 per cent.

The question for the machine tool industry in the 1990s is whether further changes in the power balance are likely.

The downturn in the Japanese market could encourage domestic producers either to try exporting more, or to step up overseas manufacturing, where the pace of investment has slowed in the past two years.

At the same time, the ambitions of other Far Eastern producers – and, in particular, Taiwan which exports two-thirds of its production – may add to the pressure on producers in the US and Europe.

ALTHOUGH the Taiwanese have not quite reached European or US levels of technical sophistication, their low labour costs give them a potential advantage on pricing.

For European producers, that makes it all the more important to reduce manufacturing costs and increase the industry's financial strength.

Most observers believe the pace of co-operation agreements and mergers between machine tool companies needs to be increased, and there is talk in Germany of bank-led initiatives to bring the bigger producers together. In the UK, 3,000 to 4,000 job-cuts in the current recession have widened the industry's relative cost advantage over German rivals, but raised a question over whether the industry can take advantage of the upturn – when it happens.

On a brighter note, the appointment of Mr Michael Heseltine as the UK's Trade and Industry Secretary has raised the hopes of machine tool builders on new financial stimuli for manufacturing investment.

The future of the US industry will also depend partly on solutions to a similar problem in the domestic manufacturing base, according to Mr Daniel Meyer, Cincinnati Milacron's chairman and chief executive: "Government can play an influencing role in incentives for investment. That's the underlying problem for US manufacturing."

The immediate question for virtually all machine tool-makers, however, is the timing of a recovery.

All the evidence so far is sketchy, but there are signs that the US could be the first market to recover – Mr Meyer sees a recovery this year to 1990 levels but admits that was "no great shakes."

There is less optimism about an immediate upturn on the continent, however, and in the UK a slight increase in order inquiries has yet to be matched by orders. Maybe Mach '92 will be the turning point.

After a slump in orders in every sector of the industry, brighter indicators have begun to appear, says **Neil Weinberg** in Tokyo

First signs of recovery for Japanese suppliers

THE JAPANESE machine tool industry, the world's largest, has entered a precipitous slump since production and orders peaked at record levels near the end of 1990.

The industry, which produces over a fifth of all machine tools, was hit by the Japanese economic slowdown earlier than most, and 1991 orders dropped 19 per cent. Declines spiralled rapidly toward year's end, with orders for the final three months toppling 35 per cent, including a 38 per cent plunge in domestic orders to Y159.3 bn.

The Japanese industry is no more immune to "boom and bust" cycles than machine tool makers elsewhere, but the current trough appears especially deep in the wake of the all-time high tide that preceded it.

In the three years to 1990, production and orders consistently grew at double-digit rates and the Japanese industry emerged as the world's pre-eminent machine tool maker. Its output the final year was valued at about $10.8 bn – 20 per cent higher than Germany's.

However, the now over one-year-old recession has deepened in early 1992, with first-quarter orders were down an estimated 39 per cent to around Y200 bn – "often, even in bad years, there are some strong sectors in the industry, but this time they're *all* bad," says an official at the Japan Machine Tool Builders' Association (JMTBA). The auto industry, which accounted for 21 per cent of 1990 demand, has been among the most aggressive in cutting orders.

Ironically, the first bright news appeared in February. Although orders were down 40.3 per cent from one year earlier, they rose 3 per cent from January to mark the first month-on-month increase since the previous May.

With the US economy beginning to stir and Japan's own growth rate expected to begin recovering, the rebound is likely to build up steam later in the year, according to industry sources – "at the beginning of this year, it was hard to say how far orders would fall, but they've been up a bit since January and it now looks like they will be increasing slowly (month-on-month), though not sharply," says the JMTBA official. He points to three catalysts for a machine tool industry rebound: the government's so-called emergency economic package designed to stimulate demand through quickened infrastructure spending; manufacturers' responsiveness to declining interest rates since the Bank of Japan's 0.75 percentage point official discount rate cut April 1; and ongoing rationalisation and labour-saving initiatives.

Export orders have increased since January. Sales to south-east Asia are holding up and further gains in order-volume are likely from the US

Orders in 1992 are still likely to decline at a double-digit rate the previous year, but just as the downturn hit machine tool makers early they are expected by autumn to be in the vanguard of the recovery.

Unlike many Japanese industries which have reached a relatively stable oligopolistic equilibrium, the machine tool sector still includes dozens of small, flexible competitors as well as some of the world's largest.

"Concentrated, single-minded, highly competitive and cut-throat," is how Mr Michael Remington, an analyst at S.G. Warburg Securities in Tokyo, describes the industry.

Despite such characteristics, machine tool makers have refrained from the debilitating price wars that have characterized previous downturns.

Indeed, JMTBA figures show prices remained flat even as orders plunged early this year. The industry may have learned a few lessons from past experience.

This time around, its order backlogs have remained consistent at around six months, suggesting makers did not over-burden themselves with excessive production capacity, as did many of their clients during the Japan's 1980s capital spending frenzy, says Mr Remington. Exports also have helped somewhat in steadying demand as the domestic slump has worsened and accounted for about a third of orders in the last quarter of 1991.

US domestic orders have increased year-on-year every month since last November. This includes four consecutive months of double-digit gains through February, when they were up 21.5 per cent to $200.6m – "the export side is not bad. Contact with US machine tool manufacturers shows the pickup is going to continue," says Mr Remington.

Sales to south-east Asia are also holding up well, despite a slowdown in Japanese direct investment there. Exports to the region increased year-on-year for five consecutive months through February, when they jumped 49 per cent to Y7.46 bn and surpassed shipment value to the US.

The problem is Europe – "the market is completely awful," says an official of Toshiba Machine Company, one of the world's leading makers of large machine tools.

In the first two months of 1992, Japanese machine tool exports to the European Community ran at only about half the previous year's pace, with the February total at Y5.29 bn.

Overseas, Japanese machine tool makers face political problems as well as mixed demand. In the US, a so-called voluntary restraint agreement (VRA) was recently extended to give the domestic industry more time to take on foreign competitors.

The head of Germany's machine tool association also warned recently that if Japanese makers persist with what he termed "unfair competitive practices," or if his own industry falls into the same state as America's, pressure will build for similar measures.

However, Japan's own importance to the world machine tool market could help limit political damage.

In the US, for example, the VRA works on a sliding scale so Japanese machine tool makers automatically receive larger quotas as demand rises. A blanket ban would likely hurt US industry most of all since Japanese machine tool makers are its *only* source for a number of vital products.

"The key to Japanese makers increasing sales in the US is not the VRA. The US economy's performance is more important," says Salomon Brothers Tokyo analyst, Mr Fumihiko Nakazawa.

Although Japanese machine tool makers' profits will fall by about 50 per cent during the current recession, the industry remains fundamentally healthy, has weathered downturns before and is undergoing few structural changes this time around, says the JMTBA official.

If anything, it is shifting to higher value added equipment and manufacturing consultancy, says Mr Remington. As manufacturing equipment becomes increasingly complex and the debate heats up at home over whether it is really a cost-effective substitute for scarce workers, machine tool makers are finding niches helping clients decide what equipment they really need, he says.

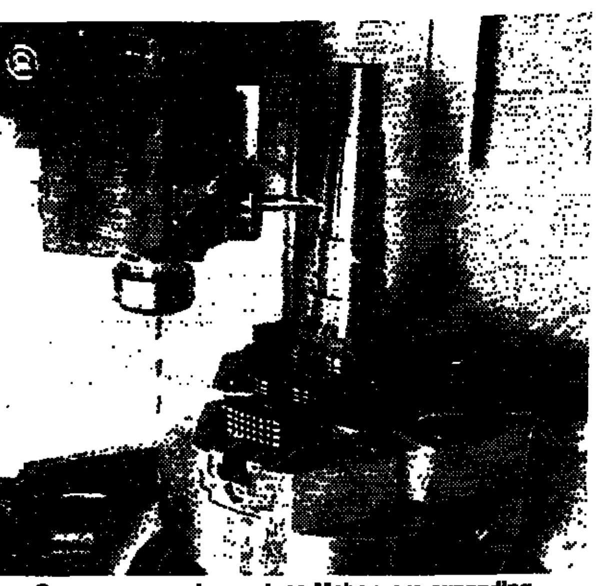
Orders have improved slightly, says **Andrew Fisher**

Germany still top exporter

THESE are tough times for German machine tool manufacturers. As the world's second largest producing country and the largest exporter in the industry, Germany's manufacturers are heavily dependent on the health of the world economy.

At the same time, their own domestic market, which totals around DM 11bn a year, has become increasingly attractive to foreign companies. Thus Germany is now also the world's champion importer of machine tools, many of them supplied by Japanese companies which have set up plants in countries like the UK.

With two important trade fairs now absorbing the industry's attention – Mach 92 in the UK and Metav 92 in Germany – machine tool makers hope that signs of an upturn from last year's poor performance will gradually emerge. They do not like talk of a crisis.



Larger German companies such as Maho were expanding abroad before the recession. Pictured here is the Maho Graziano GR 400 C turning machine, produced in Italy.

The German machine tool industry association (VDW) is encouraged by the fact that there are slightly more exhibitors at Metav in Düsseldorf (May 5-9) than two years ago. The foreign companies come mainly from Switzerland, the main exporter to the German machine tool market, Italy, Japan, Spain, and France. Attendance at the Meba exhibition in Leipzig, east Germany, this October, also promises to be high.

The VDW expects 1992 to be another uninspiring year, but not quite as dismal as 1991 when production fell by 8.4 per cent in real terms to DM15.8bn ($9.6bn). This gave Germany a share of just over 20 per cent in world output compared with nearly 30 per cent for Japan and 9 per cent for Italy. German machine tool exports were a real 6 per cent lower at DM9.3bn, with imports 2 per cent higher at DM4.7bn.

But the real shocker was the order inflow. Last year's incoming new business fell by 23 per cent in real terms to DM14.2bn, with declines of more than 20 per cent in both domestic and foreign business. The nominal fall (excluding price rises) was 19 per cent. The VDW hopes this year's slide can be kept to around 15 per cent, with foreign markets expected to pick up later in the year; it expects a further 18 per cent nominal drop in domestic orders, but a milder decline of 9 per cent from abroad.

IT is also marginally more optimistic on production, foreseeing a real drop of around 7 per cent in 1992. Its forecasts were drawn up with the help of the Ifo economic research institute in Munich. Mr Gerhard Hein, an economist with VDW, points out that the figures for last year were not actually as bad as they appeared, especially on the order side.

Suffering most were the producers of standard machine tools who experienced collapses of 30 per cent or more in orders. But makers of special tools such as those used to grind metal and make gears, and of automated production systems for the car, aerospace and other industries, fared less poorly. The average order backlog in the industry had dropped to 6.6 months at the start of this year from an average of 7.8 months in 1991; for standard machines, the figure was a much more depressing four months. In past years, downturns in one part of the world could usually be made up somewhere else. But weak demand in the western industrialised countries has combined with the slump in the former Soviet and eastern European economies to cause a drop in business on all sides for German producers.

Last year, the Soviet Union was actually the biggest market for German machine tools, but this reflected earlier orders. Today, says Mr Hein, "business with the countries of the former Soviet Union is dead and there is no future perspective". Of the near DM1.2bn of Soviet business in 1991, roughly two-thirds was attributable to exports by west German companies and a third to those in east Germany whose economy has suffered badly from the Comecon trading bloc's collapse.

However, even without the east German contribution, the Soviet Union has been traditionally an important market. In 1988 and 1989, it was the biggest customer for west German machine tools ahead of France, the US, and Italy. Thus the virtual disappearance of this market, at last for a time, is a serious matter for German producers. While there is obviously a great potential demand for imported machine tools to help in economic reconstruction, financing is a critical problem.

German companies have a further difficulty: because of the Bonn government's firm approach to the sale abroad of products that could be used for military purposes, exports of some German goods have been held up. The government's list of sensitive countries for which exports have to go through a special approval process covered some 15 per cent of foreign sales, though this has been modified.

This strict policy towards so-called 'dual-use' products can cause costly delays – "lots of firms say officials don't realise that the competition is ready to jump in and profit from any delivery delays," says Mr Hein. "Around 60 per cent of (the machine tool industry's) turnover consists of exports, so it's a serious problem."

In the domestic market, west German producers have benefitted partly from the economic upsurge caused by re-unification and the need to reconstruct east Germany. So far, however, it has been mainly the car and other consumer industries that have felt the post-unity impulses.

Since statistics on internal German trade in this area are sketchy – some orders placed by west German customers are for use in the east – Mr Hein regards this figure as a minimum. It shows, Mr Hein says, that the west German industry is close to achieving again the DM500m or so of annual sales which were transacted with the former East Germany in 1989, its last full year of existence.

But economic progress is proving painfully slow in Germany's new eastern states. It is to the important markets of western Europe and the US, therefore, that machine tool producers are mainly looking for signs of an end to the malaise.

There is very little optimism among producers, reports **Ian Rodger**

Swiss sales fall again

MACHINE tool builders in Switzerland hoped that they had seen the worst last year, but it was not to be.

The performance of the country's largest export industry – and the world's third ranked machine tool exporter after Germany and Japan – slumped in 1991 following the boom years of the late 1980s.

Swiss machine tool sales tumbled 10.7 per cent to an estimated SFr3.6bn and the all important exports fell slightly more to SFr3.2bn.

So far this year, things are even worse. Machine tool exports in the first quarter plunged a staggering 21 per cent to SFr614.2m, according to the latest statistics from the Swiss Association of Machinery Manufacturers (VSM).

"Nobody is doing well," says Mr Urs Bleuler, secretary-general of the VSM. He estimates that about half the companies in the industry are in loss, the rest making meagre profits.

Mikron, the leading producer, reported a SFr90m loss last year compared with a SFr4.6m profit in 1990.

In Decemeber, the group eliminated 40 of 650 jobs at its main production site in Biel (Bienne), having already put 270 on short time working earlier in the year.

In March, Agie, the second largest group, said it would shed 120 jobs, mostly at its headquarters in Losone in southern Switzerland.

A Swiss-made Charmilles Technologies' metal-cutting machine in use at Queensfield Precision Engineering, Bognor Regis

The Agie group, which specialises in spark erosion technology, has been selling off loss-making subsidiaries and in the first half of last year suffered a slump in turnover from SFr192m to SFr145m.

The one consolation is that international statistics indicate that the difficulties of the Swiss builders are mirrored in the other great machine tool producing countries: Japan and Germany.

The main problem is that capital spending by the industry's three leading customer groups – machinery makers, automotive manufacturers and armaments companies – has slumped in the past year and, in the case of the armaments industry, in particular, the slump may be a structural one.

The Swiss machine tool makers have some special problems: the eastern European and former Soviet Union markets were very important, but their orders have collapsed because of a lack of liquidity. For example, in the first quarter of this year, exports of Swiss machine tools to the Commonwealth of Independent States plunged by 73 per cent to only SFr14.9m.

The all-important German market, which takes about a third of Swiss machine tool exports, has also turned down sharply in the first quarter.

After a 17.6 per cent gain in sales to Germany last year to SFr1.04bn, there was a 19 per cent drop in the first quarter of this year to SFr203.2m.

Swiss makers also have to contend with a new set of export control regulations introduced in February to try to prevent a repeat of the embarrassing revelations last year that a couple of Swiss companies supplied specialised machine tools to Iraq for use in that country's nuclear weapon development programme.

"We cannot close our eyes to the problems of trading with some countries," Mr Bleuler says.

"But sometimes we know that our government applies export-control mechanisms more severely than, say, the US government does, especially in highly accurate machine tools."

Until a few months ago, the Swiss also chafed under the old COCOM regulations that were aimed at preventing transfers of high technology to the former Soviet Union and east European countries. Switzerland was not a member of COCOM but it followed their guidelines.

"COCOM would still be a big problem if the old Comecon countries had any money," Mr Bleuler adds.

The Swiss machine tool industry, like its counterparts in other countries, has had its difficulties adjusting to the upheavals caused by the widespread application of computer numerical controls in the past decade.

However, as Swiss makers tend to specialise in high precision, high repeatability and special purpose machines, they have been less jolted than those in some countries, notably the US and the UK, that make more high volume, standard products.

The fact that Switzerland has maintained its trade surplus in machine tools with Japan speaks for itself.

Thus, the profile of the industry today is not vastly different from what it was 10 years ago, that is, a collection of small, entrepreneur-based, specialist companies.

The vast majority of businesses employ about 100 people, with only a few having over 600 employees and only three having more than 1,200.

The overall numbers have declined significantly – from 170 companies in 1980, employing 19,000 people, to only 115 today employing 13,000 – but that is a function of improved productivity and some rationalisation as well as fading fortunes, in some cases.

Still, there have been some significant changes in the industry in recent years. George Fischer, a once-famous name in lathes, has sold out. Oerlikon Bührle, once a major producer, now makes only specialised gear cutting machines.

On the other hand, Mikron has tried to build up a diversified group through acquisitions, last year adding the Italian gear cutting maker, Cima, and the French specialised machine producer, Somex, to its interests.

But suggestions similar to those heard in other countries that Swiss machine tool builders should join forces for marketing and distribution abroad are dismissed by the VMS as unrealistic – "we feel there are a few well-defined fields where closer co-operation in distribution and service could be meaningful, but not a general arrangement."

As for the outlook, no-one seems to be very optimistic. The industry's order backlog had slid to only 4.8 months by the end of last year, down by 2.7 months since the end of 1990.

Mr Theodor Fässler, head of the machine tools division of VMS and president of Mikron, said earlier this year that restructuring and capacity adjustments had at least led to decreased pressure on prices. However, he predicted that an upturn would not be felt until 1993.

Big US producers continue to restructure, reports **Andrew Baxter**

Fighting to reverse decline

AFTER a long slumber, the US machine tool industry – the world's fourth largest in 1991 with output of $2.74bn – has woken up over the past two years.

In the middle of a deep recession, it is attempting with some success to reverse a decline in the 1970s and 1980s that surrendered too many markets too easily to Japanese competition.

The decline – as so often in the machine tool industry – was due to a combination of internal and external factors. As recently as 1982, there were 1,400 active US machine toolmakers, most of which were happy to serve the domestic market with a single product that faced little foreign competition.

These companies were completely ill-prepared for the onslaught of Japanese imports from companies with active product development programmes, and to a lesser extent, European suppliers.

Last year imports were worth $2.16bn, accounting for more than half of the $3.8bn market, according to the magazine *American Machinist*.

In percentage terms, imports have more than doubled their market share in the past decade.

The external factor, which is largely outside the industry's control, is the relative decline of the US manufacturing sector on which it relied too heavily. The US now accounts for less than 10 per cent of world machine tool consumption, compared with 20 per cent a decade ago.

The continued recession last year reduced machine tool consumption by 19 per cent, while US machine tool production fell 20 per cent.

Behind these figures lies the unpleasant fact that US machine-tool buyers were more likely to give up buying domestic machines than to forego purchasing imports.

On a brighter note, US machine-tool exports set a new record last year, rising marginally to $1.08bn – a creditable performance given world market conditions.

This suggests that Mr Albert Moore, president of the Association for Manufacturing Technology, was speaking with some justification when he told *American Machinist* that "for many US machine-tool builders, exporting has become an integral part of their overall business plan, not just an alternative to the still-weak domestic market."

Fortunately in many respects, the recession of the early 1980s had begun a winnowing-out process that has reduced the number of active US machine tool builders to less than 600.

Proportionately, this is a much heavier restructuring than has occurred in Europe, but many of the remaining companies are still too small to invest sufficiently in long-term development.

At the top end of the business, however, a handful of companies have realised that the demands of customers for multiple product lines and a more closer working relationship with the machine tool supplier, along with the trend towards machining centres and flexible manufacturing cells, can best be served by large companies with big, integrated product ranges and a commitment to spending on new product development.

THE TWO companies leading the fightback, Giddings & Lewis and Cincinnati Milacron, share at least one thing in common: a size that dwarfs most other US machine tool builders. Beyond that, their backgrounds and strategies are somewhat different.

The resurgence at Giddings & Lewis began in 1987 with the appointment of Mr William Fife, a former steelworks sweeper who joined the Wisconsin-based company after a spell at Cross & Trecker, another US machine tool builder.

Mr Fife removed artificial divisions between product lines, invested heavily in a computer-aided design system, and boosted research spending to 10 per cent of sales.

The company went public in a 1989 spin-off from AMCA International – now United Dominion Industries – and after three years of sharply rising sales and profits Mr Fife launched his big move last June.

For just $70m, Mr Fife turned Giddings & Lewis into the world's fourth largest machine tool company by agreeing to buy the heavily loss-making Cross & Trecker.

The attraction of the deal, concluded late last year, was the chance to create a much-expanded product line.

It also gave a much stronger presence in Europe – a market that is now more than four times bigger than its US counterpart.

Mr Fife now has a tough job integrating the much larger Cross & Trecker into Giddings & Lewis, and producing "one-stop shopping" for factory automation.

Cincinnati Milacron is also undergoing a profound change of emphasis that could be of immense significance to the future of the US machine tool industry.

The company lost its way in the 1980s after moving away from producing standard machine tools such as machining centres and turning centres to concentrate on highly-engineered, custom-built machines.

With Milacron working on long-lead time orders in an era of high inflation, imported product got the chance to move onshore, according to Mr Daniel Meyer, chairman and chief executive.

"Now we are going back to where we were very strong," he says.

The renewed emphasis on standard products, taking on Japanese competition directly, is a key element of Milacron's much-vaunted Wolfpack programme.

This is a more ambitious sequel to the company's mid-80s revival in its plastic injection moulding machine business.

The programme has involved considerable restructuring to ensure that Milacron remains competitive manufacturing in the US, and a reversal of some earlier diversification moves. Hence, in 1990, the sale of Milacron's industrial robot business to ABB Robotics.

Already, Wolfpack has resulted in a much stronger new product development programme, backed up by a big effort, says Mr Meyer, to "get more people out knocking on doors to sell our products."

However, if the long-term outlook for both companies looks encouraging, neither has completed its reshaping efforts. This explains why both Mr Meyer and Mr Fife are relieved that the US government is extending for two years the voluntary restraint agreements (VRAs) on the import of certain CNC machine tools from Japan and Taiwan.

"This goes right to the heart of the Wolfpack programme. We need another two years to complete it," says Mr Meyer. Mr Fife has also welcomed the breathing space offered by the VRA extension.

The extensions – which were opposed by some other US machine tool builders – are still being negotiated, and will be backdated to the beginning of the year once agreement is reached.

But the Bush Admistration has made it clear they will not be renewed again.

MACHINE TOOL INDUSTRY 3

The UK is still the world's seventh biggest producer

Strong emphasis on new product development

AFTER two years of hard times and a steadily increasing sense of exasperation in the British machine tool industry, producers will view today's opening of the Mach '92 Show as a chance to put the past behind them and look to the future.

The outlook, however, is tinged more by hope than expectation. After production sunk last year by 22 per cent to about £730m, 1992 has been a year of uncertainty – about the economy, then the Budget, and more recently the General Election.

As a tonic for an industry that badly needs to remind people that it still exists – last year's output may have been the lowest in real terms since 1984, but the UK is still the world's seventh biggest producer – Mach '92 could not have been better timed.

It comes within weeks of the appointment of Mr Michael Heseltine as Trade and Industry Secretary, a move viewed with considerable anticipation by an industry whose quiet campaign for short-term stimuli to manufacturing investment fell on deaf ears when the unlamented Mr Peter Lilley ran the DtI.

With the political uncertainty resolved, machine tool builders now sense faint stirrings in the economy, and among manufacturing customers in the UK and overseas.

Mr Stan Vaughan, managing director of Hahn & Kolb (GB), the German owned manufacturer and importer, says inquiries from potential customers have been rising since December.

Mr Vaughan, chairman of the Mach '92 Exhibition Committee, expects almost as many exhibitors – about 500 – as at Mach '88, a time of buoyant conditions virtually worldwide. Some of the stands this time are smaller and less lavish, he says, but exhibitors' will share a common aim: to turn the current flickers of customer interest into real orders.

Their strategy will be simple: to emphasise through machines launched at the exhibition that new product development has not taken a back seat in the fight for survival and that the UK can still make some claims to global technology leadership, albeit in niches such as laser-cutting machines and probes.

For the longer this recession has continued, the more it has become a battle for survival for many UK machine tool builders, scattered across 120 manufacturing sites.

"A lot of manufacturers are at a very critical stage," says Mr Ron Bull, president of the Machine Tool Technologies' Association.

He warns that some UK producers could collapse if business conditions do not improve by the end of the year.

Given the many disasters in British machine tool history, it is, perhaps, surprising that the latest recession has not produced any big corporate casualties. This partly reflects a dogged determination to survive against all the odds, coupled with the industry's ability to learn from previous recessions and to act firmly to survive.

At Leicester-based Bridgeport Machines, the big US owned producer, there has been no pay award for two years, labour has been halved and costs reduced costs.

Mr Malcolm Taylor, managing director, contrasts the company's approach with the slower response of German competitors more recently hit by a market downturn.

Exports have also provided a cushion against recession. Last year, exports of UK machine tools fell 16 per cent to £411.1m, but would have fallen a lot further if European Community markets had suffered as deep or prolonged recession as that in the UK.

The jobs picture is less happy, with total employment falling to 18,200 in September from 20,800 a year earlier. In the past six months it has sunk further, to about 17,000, due to closures such as 600 Group's Colchester lathe plant, Bridgeport's Bridlington plant, and Matrix-Churchill's Fletchamstead Highway, Coventry plant.

And there is almost certainly more to come. B.Elliott, one of the UK's last three publicly-quoted machine tool builders, is undergoing a restructuring which could lead to the divestment, rationalisation or closure of its machine tool division, which includes Butler Newall and Addison.

On the bright side, the job cuts that have been announced this year involve a prudent concentration of manufacturing rather than a wild swipe at research and development budgets.

The evidence suggests that UK machine tool companies have realised this is one option they cannot consider if they wish to remain competitive long-term.

For example, FMT Holdings, the Brighton-based machine tool group, is launching new products for Mach '92 at all three group companies, including a new cutting head for Noble & Lund's aerospace profiling machines.

This comes despite heavy job cuts overall and the decision last month to turn Noble & Lund's Gateshead plant into an assembly operation, shedding 60 manufacturing jobs.

On the other hand, a reduction of employment of 3,000-4,000 over the course of a recession, on such a small base, raises the inevitable question about whether the industry is losing its "critical mass."

The loss of expensively-trained skilled workers could affect the ability of UK producers to exploit fully the upturn, says Mr Bull.

With many companies now relying on the good will of their banks to continue in business, the recession has clearly exposed the financial weakness of a highly-fragmented industrial sector.

To avoid bankruptcy next time demand declines for British machine tools, producers should now be looking to step up the hitherto pedestrian pace of mergers, joint ventures and bilateral co-operation, especially in Europe.

The recent marketing agreement between Bridgeport and Maho, the big German milling machine company, was beneficial for both companies, but more full-blown mergers among UK machine tool companies might be a step towards greater financial strength while avoiding the cultural problems of cross-border takeovers.

Mr Bull is right, however, to stress that this is a problem for the industry to sort out itself. Precedents suggest that absorption by conglomerates or government-imposed rescue plans do not work in an industry withan entrepreneurial, owner-manager tradition.

The development of larger companies might also help the UK machine tool industry take advantage of the new approach at the Department of Trade and Industry, simply by generating some clout.

The industry has maintained a united approach in its lobbying of government, but insiders describe meetings with the DtI as "like talking to a brick wall."

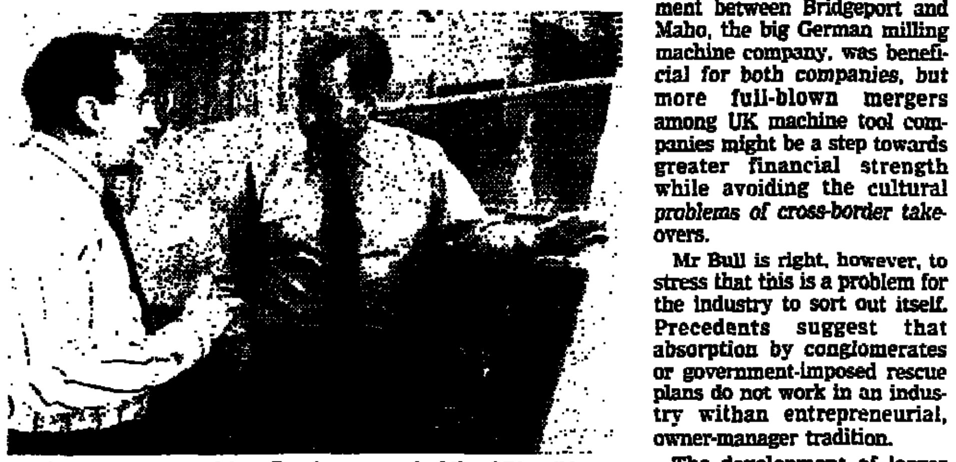
Over time, relations between the government and the industry could be very different. Machine tool builders are naturally hopeful that Mr Heseltine will have the influence to move the Treasury on subjects such as capital allowances to spur investment by manufacturing industry.

But Mr Taylor points out that "even if Mr Heseltine does no more than say a lot of the right things, it will increase the confidence of the manufacturing sector."

If the machine tool industry can sort out its internal structural problems and gain the ear of government to ensure a "level playing field" on manufacturing investment compared with other countries, notably Japan, British machine tool makers can flourish in the rest of the 1990s.

It is a big "if", of course, but Mr Bull says the reason reason why companies have worked so hard to survive is precisely that they think they do have a future.

Andrew Baxter



Sir John Banham, retiring director general of the CBI, talking with Malcolm Taylor, managing director at Bridgeport Machines' Technical Centre in Leicester.

UK machine tool trade, values in £ million

Year	Sales of m/tools	Exports	Imports	Implied consumption
1980	593	292	268	569
1981	434	281	213	366
1982	477	273	234	438
1983	414	210	194	398
1984	497	226	256	527
1985	606	266	304	644
1986	614	269	381	726
1987	645	306	323	662
1988	843	388	411	868
1989	905	399	519	1,025
1990	941	489	523	975
1991	730*	411	451	770*

*Estimates; values at current prices. Sources. DTI: Customs and Excise

UK export success

THE high-accuracy probe, pictured above, can achieve measurements within *two-hundredths of the width* of a human hair. The TP7 probe provides a large measuring machine with a sense of touch by sending signals to a computer.

The probe, developed by Renishaw Metrology of Wotton-under-Edge, Gloucestershire, has attracted significant export orders. It has applications *in many* aspects of engineering and quality control – ranging from the measurement of engine blocks for Concorde aircraft and Jaguar cars to the inspection of moulds for ice-cream lolly-makers.

The original concept was developed in 1973 by David McMurty, Renishaw's group chairman. Since then, the group has won seven Queen's Awards, mainly for probe-related products – five for export achievement and two for technology.

Cincinnati Milacron in the UK plans economies of scale

The focus is on world markets

THE OUTSIDE looks like an art deco palace. The inside is less decorative, more practical, subject to change as new production comes in and old production fades away. This is Cincinnati Milacron on the north-east side of Birmingham, the first overseas plant the US group set up in 1934.

With a turnover of about £30m a year, it contributes some seven per cent of group turnover. Although the parent returned to profit in the 1991 final quarter, it recorded an annual net loss of $100.2m.

The British part of the operation had its problems too. Its largest market is, in fact, the US and 80 per cent of its production is exported, so it cannot remain immune to international economic sluggishness.

Mr John Bloxham, managing director in the UK, is encouraged by what he called "decent signs" in the US market. "We're expecting recovery later this year. We are on budget."

What is certain is that the Birmingham company cannot, and has not, relied on the UK market: the level of manufacturing investment is too low, especially compared with competitors like Germany and Japan.

Since the recession started, Cincinnati Milacron has reduced its Birmingham workforce from 500 to 400. This is partly the result of lower orders, but it is also a result of the rationalisation of production.

In this last respect, the UK plant is deeply involved in a re-alignment of how the group as a whole conducts its machine tool business – "we are trying to design world products and maximise economies of scale," says Mr Bloxham.

This has taken Cincinnati Milacron into the marvellous world of 'focus factories' and 'wolfpacks' – the jargon for factories which are dedicated to a single product or series of products, designed, engineered, produced and financed by a multi-disciplinary team of executives. The background to this approach is the acceptance in the group of a number of fundamental factors:

☐ First, to obtain economies of scale, a product has to be developed with reference not to regional markets, as was the case until the late 1980s, but to the world market.

☐ Second, because the product cycle has changed from roughly 20 years to more like three or five, it is necessary to bring products to the market at greater speed. The traditional and leisurely sequential programme of market research-engineering prototype-production is not a recipe for profit.

☐ Third, the way machine tools are operated has changed. The tendency now is to run them for 24 hours a day, not just one shift. So, while this makes their life shorter, it also puts a premium on greater reliability, speedier installation, low service requirements and short warranties.

The Cincinnati Milacron technique for dealing with these factors is team engineering – "what we try to do is to define an opportunity in a given marketplace," explains Mr Bloxham. The opportunity becomes a project and for every project there is a special team.

Suppliers could be involved - the metal fabricators, for example, especially when they have facilities Cincinnati Milacron itself does not have.

Across the group there are 20 projects under way. To avoid duplication of effort and resources, the individual factories are providing, to a co-ordinator in the US, quarterly reviews of progress, including data on costs and margins. For its part, Birmingham is concentrating on the Sabre line of products – by the middle of this year the effect of Cincinnati Milacron's strategy will be that, in Birmingham, all products being made in 1988 will have been phased out and replaced by a concentration on Sabre – the brand name for a series of vertical and horizontal machining centres.

Paul Cheeseright

Manufacturer's profile: Jones & Shipman

Now the grinding wheel comes full circle

BUSINESS conditions have been as tough for Jones & Shipman as any other UK machine tool maker, but the Leicester-based grinding machine manufacturer can hardly be accused of twiddling its thumbs during the recession.

The 40-strong engineering department has been working harder than ever before over the past 12 months, says Dr John Liverton, director of engineering.

Since September, a small group of engineers have been working on a project of considerable strategic significance for J&S, one of the UK's three remaining publicly-quoted machine tool builders.

Through an acquisition last year from Brown & Sharpe, the venerable US machine tool builder which invented the grinding machine, Jones & Shipman has become the first British machine tool builder to make CNC creep-feed grinders, one of the most promising product areas in the industry.

In a sense, therefore, J&S has now brought the grinding wheel full circle for creep-feed, on which much of the pioneering work was done at the University of Bristol in the 1970s, before commercial exploitation moved to the US and Europe.

As the name suggests, creep-feed grinding involves passing the workpiece under the grinding wheel at a slow pace, allowing greater metal removal in one pass, and thus increasing the customer's productivity.

Until now, creep-feed has been used mainly in the aerospace sector for producing turbine blades and other parts. However, many users are now contemplating replacing their original machines to take advantage of recent developments in CNC systems.

At the same time, new markets are opening up for grinding materials such as ceramics and composites, while creep-feed technology can also be applied to the manufacture of such humdrum articles as scissor-blades, currently produced on milling and other machines.

J&S is keen to exploit these opportunities, as part of a strategy to expand its presence in the production grinding market, where the machines are bigger, and the prospects more promising, than in the toolroom grinding business.

The need for speed of action coincided neatly with Brown & Sharpe's decision last year to withdraw from machine tool manufacture, says Mr Eddie Gee, J&S sales director.

The result, among other things, was the purchase of the full intellectual property rights to the US company's Hi-Tech creep feed grinding product line, and its Techmaster surface grinder range.

For J&S, the Hi-Tech range was a solid springboard for moving into creep-feed. The machine, based on an epoxy granite bed to absorb the vibrations from the high-powered grinding process, was mechanically advanced, but the control systems needed to be re-engineered if J&S was to take full advantage of business prospects.

This has involved a combination of in-house and external computer expertise.

The latest GE Fanuc 16 Series CNC system with an LCD flat screen display has replaced an older Allen-Bradley system, while Jones and Shipman has also installed its own PC-based software for solving problems such as the "flight-path" of the grinding wheel when cutting difficult contours.

Manufacturing has been brought back to Leicester from Rhode Island, making more efficient use of spare capacity caused by the recession.

Outside the US, the machine is being relaunched as the Techmat 400.

The Techmaster is also to be re-engineered, as a smaller creep-feed grinder, and will be launched later this year as the Techmat 200.

Technically, says Dr Liverton, the new Techmat 400 is equal or superior to its European rivals, but the control system is superior – the machine is the first creep-feed grinder in Europe to have the new GE Fanuc control.

Jones & Shipman now faces the challenge of developing its presence in creep-feed grinding against entrenched European rivals such as Mägerle of Switzerland and Germany's Hauni-Blohm. The British company is already talking to Rolls-Royce, a big user of creep-feed technology, and wants two or three good installations in the home market before tackling Europe.

Today, at the Mach 92 Show, will see the start of a drive to persuade customers from outside aerospace to switch to creep-feed. Much will depend on business conditions – the Techmat 400 is a big investment for many companies at around £220,000.

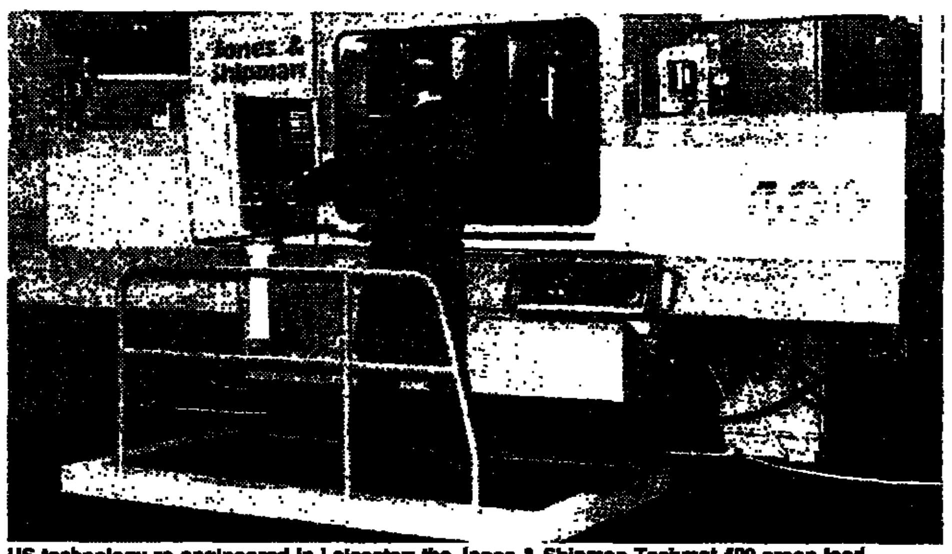
"People have their installed capacity and you have to get over this obstacle," says Mr Gee.

J&S is now hoping that a recent upturn in its small tools business will, as has happened in the past, herald better conditions in machine tools.

Late last month, Jones & Shipman announced machine tool orders worth more than £1.4m, evidence that a quickening pace in order inquiries is beginning to be converted into orders.

Whatever happens, says Dr Liverton, "I think we will get a lot of interested German and Swiss on the stand at Mach '92."

Andrew Baxter



US technology re-engineered in Leicester: the Jones & Shipman Techmat 400 creep-feed grinding machine, unveiled today.

Mine lock-out to hit Canadian coal exports

By Bernard Simon in Toronto

CANADA'S BIGGEST coal mine will halt export shipments later this week after locking out 1,100 members of the United Mine Workers of America trade union.

Westar Mining, which owns the Balmer mine in south-east British Columbia, closed the mine at the end of last week within hours of a vote by union members to reject a management contract offer.

A Westar official said that the mine had low stocks at the time of the lock-out. A shipment of coal for Korea, expected to be loaded in Vancouver by the end of this week, will be the last until the mine reopens. The official said, however, that shipments from Westar's Greenhills mine will continue without interruption.

Balmer exports almost its entire output of 6m tonnes a year. About two-thirds of the total is sold to steel mills in Korea, Japan and Taiwan, but the mine has customers in about a dozen other countries as well.

Workers at the mine have been without a contract since the end of last year. Westar has demanded a two-year wage freeze and numerous changes in work practices to bring down costs as part of efforts to tackle its severe financial problems.

Westar, which suffered a C$6.4m (£3m) first-quarter loss, has been talking to lenders about rescheduling its C$330m debt. It missed an interest payment due last week, and has warned that the Balmer mine cannot survive without concessions from banks and workers.

The British Columbian government earlier this week sent an industrial relations mediator to Balmer. Even if his efforts are successful however, the mine is expected to remain closed for at least another two weeks.

MPs' vote sidelines Tasmanian pulp project

By Kevin Brown in Sydney

NORTH BROKEN Hill Peko, the Australian resources group, yesterday shelved plans for a major pulp mill in Tasmania after legislation guaranteeing access to timber was defeated in Parliament.

Mr Peter Wade, managing director, said the mill would not proceed without acceptable resource security legislation and the strong and active support of both major political parties. "In the apparent absence of these assurances, no expenditure will take place towards furthering the development of our project or associated activities," he said.

Mr Wade said the failure of the project would send a clear signal to the international investment community about the increasing difficulties faced by resource development companies in Australia. The proposed paper mill is the first casualty of the Labor government's failure to win sufficient opposition support in the federal senate for its controversial Forest Conservation and Development Bill. The Bill, which would have guaranteed conditional access to native growth forests for timber industry projects valued at a minimum of A$100m, was strongly opposed by a coalition of environmental organisations. However, it was also heavily criticised by many timber companies for failing to provide guaranteed access to resources for smaller projects, which are responsible for the majority of timber industry activity.

As a result, the Bill was opposed by the conservative Liberal/National Party coalition for offering insufficient assistance to industry, and by the environmentalist Australian Democrats for offering too much.

The opposition parties combined to defeat the Bill after the failure of tortuous negotiations with Mr Alan Griffiths, the resources minister and chief government supporter of resource security. However, the defeat appeared not to concern Mr Paul Keating, the prime minister, who is believed to have shared environmentalist concerns that the Bill would promote the destruction of old growth native forests.

Mr Phillip Toyne, executive director of the Australian Conservation Foundation, said the defeat of the Bill would clear the way for the timber industry to be placed on an "ecologically sustainable footing", which would mean concentrating on plantation timber rather than native forests.

Peruvian phosphates offer rich pickings

Sally Bowen reports on a plan to let foreign investors take charge of exploitation

IN THE uncompromisingly barren Sechura desert of northern Peru, where the only relief from moonscape scenery is provided by an occasional scrubby carob tree, lie potentially rich pickings for the astute and adventurous investor. Bayovar, discovered by the International Petroleum Corporation way back in 1964, is one of the world's three principal phosphate-bearing regions – and for the first time in 20 years, Peru is prepared to let foreigners take charge of its exploitation.

The investor should not get too excited about the installations – like the scenery, they look unpromising. The road leading to the principal deposit, with reserves estimated at 273m tonnes by Kaiser, the American mining company, was largely washed away in 1983's unprecedented flooding and there has never been the money to repair it. Any one following a map to the site marked "Bayovar mine" is likely to end up digging his jeep out of drifting sands.

The processing plant, more accessibly situated at the water's edge close by Petroperu's northern oil pipeline terminal, looks irremediably obsolete and rusty. Yet the machinery, valued at $2m, keeps clanking and whirring away to produce some 75,000 tonnes of simple concentrate a year.

The mining process is uncomplicated. Bulldozers scoop the "rock" (in fact it looks more like compressed sand and crumbles easily) from the still-operational smaller quarry while 15-tonne trucks line up to transport it the 20 km (12 miles) to the plant. Basic sorting, crushing, filtration and drying produces a concentrate with up to 31 per cent P_2O_5 (in the mine the phosphate concentration is between 17 and 22 per cent).

Phosphate is an environmentally-friendly fossil-based fertiliser, much used in New Zealand for enriching pasture-land. Bayovar has exported to New Zealand for the past three years – last year's record shipments totalled 28,000 tonnes and 60,000 tonnes are ordered for this year. Another 35,000 tonnes will go to Chile and Australia, while Brazil is, as yet, a promising but largely unexplored potential purchaser.

Bayovar's production costs are about $26 a tonne. Currently transport to the port of Paita, 170 km to the north, for export shipment adds an uneconomic $14 to the fob price. But a contract signed in late February between the Grau region (now owners of the deposits) and Cefoisa, a Lima-based construction company, will provide within months a loading quay cutting plant-to-ship costs to $1.85 a tonne. That is when the phosphates export business becomes profitable.

Cefoisa signed in late February a novel contract with the regional authorities that could be a model for future semi-privatised exploitation arrangements. Effectively, the Lima company is leasing the plant and deposits initially for a two-year period. In return, the region will receive 13 per cent of gross sales and 43 per cent of the profits. Together this should provide in excess of $2.3m over two years for the cash-strapped regional government.

The major advantage to the company is that there is almost no capital outlay. Cefoisa takes over the plant and the 44 workers and engineers currently on Bayovar's books, adding a couple of its own people to watch over company interests. Bulldozers and trucks for shifting and transporting phosphates are contracted from outside companies.

Cefoisa's confidence about the prospects for making money is illustrated by the fact that it was prepared to take a loss of $1.22 on each tonne exported from Paita in March so as not to lose its New Zealand and Chilean customers.

Yet more attractive, however, is the prospect of superphosphate production. Addition of sulphuric acid to the phosphoric rock – in a ratio of 1: 1 for triple superphosphates, 0.65: 1 for single) enables plants to absorb the fertiliser more easily.

Triple superphosphates sell internationally at between $300 and $350 a tonne, a handsome profit margin over estimated costs of $56.

A typically grandiose Mineroperu scheme to attract the large investor envisages extraction of 7m tonnes of phosphoric rock a year to produce 1.3m tonnes of single superphosphate, or 870,000 tonnes of triple. This would, according to an estimate by officials of the state minerals' company, involve investment of $180m or $300m respectively.

But the canny investor might prefer to start on a smaller scale. Last year Bayovar sold some 24,000 tonnes of concentrates to three Lima chemicals companies for transformation to superphosphates. Company production director Mr Cristobal Velazquez, who has 18 years experience at Bayovar, says that he could start producing superphosphates on site with investment not exceeding $5m.

Inadequate supply of sulphuric acid has traditionally been a major deterrent to the move into value-added domestically-produced fertiliser – in addition to the disincentive of constantly shifting government policies on subsidies for imported fertilisers. But alongside the excess sulphuric acid production of the state-owned refineries at Cajamarquilla and La Oroya, there is now the prospect of additional production from Southern Peru Copper Corporation.

Under a recent agreement with the Peruvian government, SPCC is committed to the swift installation of a partial capture acid plant to cut pollution at the company's smelter in the southern port of Ilo. SPCC complains that the project is a financial loss-maker all the way – but its planned production of 155,000 tonnes annually could provide the basis for an interesting foray into superphosphates.

According to the Peruvian ministry of mines, President Fujimori discussed the future of Bayovar with potential investors on his mid-March trip to Japan. Local rumours say that Kaiser may also be interested in re-establishing its links with Bayovar and attempting exploitation of currently abandoned Area II – if the flooding problems caused by its position 23 metres below sea level can be resolved.

THE GERMAN company Stolberg Ingenierberatung, in association with the British-based Commodities Research Unit, has won the international tender for the delicate task of valuing Mineroperu, the Peruvian state-owned minerals and metals company, writes Sally Bowen in Lima. The valuation process is expected to take four months after a late May start, according to Mineroperu officials.

Only the company's four sites which have fixed assets are included in the valuation – the copper refinery at Ilo, the Cerro Verde copper mines and plant near Arequipa, the Cajamarquilla electrolytic zinc refinery in the province of Lima and the vast gold deposits of San Antonio de Poto, Peru's largest.

Mineroperu's many deposits with development projects attached are at present not included in any valuation. But Mineroperu will be promoting international interest in all of them, with special emphasis on a scaled-down development project for the Antamina copper deposits, at next week's mining fair, Expomin, in Santiago.

The Bayovar phosphates deposits with a 1m-tonne capacity plant are also a Mineroperu promotion priority. "Although theoretically the deposits have passed to the region, Mineroperu has the know-how to contact interested foreign investors," said Mr Luis Cohello, Mineroperu's projects manager.

Joint ventures with Mineroperu are a distinct possibility in some cases – with San Antonio de Poto, there has been "much interest and several preliminary conversations", according to Mr Cohello. There are also Peruvian mining sector rumours that US-owned Southern Peru Copper Corporation is interested in acquiring the Ilo refinery, which processes much of its copper blister.

Turkey considers natural gas deal with Turkmenistan

TURKEY IS considering a project to pipe natural gas from the impoverished Central Asian republic of Turkmenistan for domestic use and exports to Europe, reports Reuter from Ankara.

Turkish businessmen voiced enthusiasm for the scheme.

"A gas pipeline is the most important project to improve our trade relations with Turkmenistan because it would create huge off-set possibilities," said Mr Nihat Gokyigit, head of Tekfen Holding, a big engineering and contracting group.

Turkish officials said there would be further talks about possible gas and oil pipelines at a summit meeting of ex-Soviet Moslem republics, Iran and Turkey in Ashkhabad, capital of Turkmenistan, on Sunday.

Ankara and Tehran have been discussing a pipeline to export Iranian gas through Turkey for years, but have not gone ahead.

Mr Suleyman Demirel, the Turkish prime minister, said in Ashkhabad last week that Turkmenistan had massive gas reserves. "Its prosperity depends on producing and selling it." He has offered Turkmenistan export credits worth $75m and soft loans for food purchases.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,725-1,750 (1,700-1,750).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.40-3.00 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.90-1.10 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 27.50-28.50 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-140 (115-140).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.12-2.18 (2.11-2.17).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 56-66 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.05-2.15 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.75 (7.85).

Agreement close on Brazil's Salobo copper joint venture

By Bill Hinchberger in Sao Paulo

COMPANHIA VALE do Rio Doce, Brazil's state controlled mining company, is in the final stages of negotiations on a joint venture to exploit the 1.2m-tonne copper deposit at Salobo, in the Carajas region, in the state of Para, in the Amazon.

The partnership is likely to include one foreign company, a private Brazilian mining company and CVRD. The goal is to establish an operation that would both be privately controlled and leave a majority of capital in Brazilian hands, said Mr Rubens Lima Bandeira, general manager for project development at CVRD.

The official declined to name the companies involved in the negotiations but said that a hypothetical arrangement would give a 30 per cent share to the foreign partner and 30 per cent to a private Brazilian company. CVRD would retain 30 per cent, and the Brazilian National Development Bank (BNDES) 10 per cent. Under the terms of a 1985 agreement, CVRD now has the rights to two-thirds of Salobo's minerals and BNDES the other third.

Mr Bandeira said the mine should be in operation by the end of 1995. "The copper market isn't very favourable right now," he admitted, "but in the second half of the decade it will be. So we have to begin implementation this year."

CVRD estimates that open pit operations for the first 15 years will result in an annual yield of 242,000 tonnes of concentrate with a 38 per cent copper content, or 92,000 tonnes of metal. Salobo's gold and silver deposits are also significant. CVRD expects to extract four to five tonnes of gold and 15 tonnes of silver annually.

An investment of between $400m and $425m will be needed to initiate production. New spending can be kept to a minimum because the mine will have access to infrastructure, including a railway and electricity capacity, already installed for CVRD's iron ore operations in Carajas.

The Salobo copper deposit was discovered in 1976. In addition to normal viability studies, CVRD was forced to undertake additional research to address concerns expressed by potential buyers about the material's peculiar characteristics. In particular, many were worried about its low sulphur content, which they believed would hinder its heat generating capacity in furnaces.

A study by Mr Paulo Mazoni, co-ordinator of research and development projects for CVRD, found that the unusually high carbon content of the Salobo material can compensate for the lack of sulphur.

A gold prospecting scheme developed by the Brazilian government will use funds from a group of domestic and multinational mining companies to undertake a study in the state of Minas Gerais, writes Bill Hinchberger.

Companhia Vale do Rio Doce will spearhead the $1.2m effort through its prospecting subsidiary Docegeo. CVRD will contribute $675,000 to the project and RTZ of the UK another $200,000. Other participants are West Mining, Morro Velho, Comig and Mineracao Sao Bento. The study, called the Rio das Velhas Project, was developed by the National Department of Mineral Production.

According to Mr Armando Alvares de Campos Cordeiro, general manager of the southern region for Docegeo, this will be the first such joint government/private prospecting effort.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta **COFFEE** showed no sign of any major reversal in the downward trend, with charts pointing towards lower values. Sentiment on fundamentals is bearish – heavy sales are expected from producers such as Indonesia during the next few weeks. The nearby July contract recovered to $716 a tonne after falling to a fresh 22-year low of $712 in early trading. The premium for cash **ZINC** widened further on the LME, reflecting the tightness of nearby supplies. The increasing tightness helped to reverse the early downward drift in forward prices, with three-month metal recovering from a $1,281 low to close at $1,290.50 a tonne, down just $2. Generally base metals business has been slow to pick up after the holiday weekend, dealers said. However, May option declarations today could spark interest in copper and aluminium. **SILVER** moved ahead on the London bullion market on positive technicals and renewed confidence in the pace of US economic recovery. On Comex analysts felt that silver was gearing up for another upward run after breaking key resistance levels at midday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.40-7.50q	
Brent Blend (dated)	$19.90-20.00	+075
Brent Blend (Jun)	$19.85-9.90	+0.10
W.T.I (1 pm est)	$21.05-1.10q	+0.20
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$227-239	+3.5
Gas Oil	$181-182	+1
Heavy Fuel Oil	$74-76	
Naphtha	$187-189	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$336.90	-0.35
Silver (per troy oz)♣	404c	+2
Platinum (per troy oz)	$353.0	+2.85
Palladium (per troy oz)	$83.10	+0.35
Copper (US Producer)	103.67c	+0.02
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.59r	
Tin (New York)	274.5c	+1.0
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.22p	+0.01*
Sheep (live weight)†♣	99.53p	+6.06*
Pigs (live weight)†	97.09p	-1.20*
London daily sugar (raw)	$240.0t	+1.0
London daily sugar (white)	$280.3t	+3.3
Tate and Lyle export price	£243.0	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£148	
Wheat (US Dark Northern)	£120w	
Rubber (Jun)♥	55.75p	-0.25
Rubber (Jul)♥	56.00p	-0.25
Rubber (KL RSS No 1 Jun)	221.0r	
Coconut oil (Philippines)§	$622.5t	-7.5
Palm Oil (Malaysian)§	$377.5q	
Copra (Philippines)§	$405	-5
Soyabeans (US)	£150.0q	
Cotton "A" index	60.35c	+0.40
Wooltops (64s Super)	444p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-May/Jun y-Apr/May w-Apr z-May q-Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	213.80	209.60	211.00 210.00
Oct	203.00	201.80	
White	**Close**	**Previous**	**High/Low**
Aug	276.70	277.20	279.00 275.00
Oct	269.00	270.20	270.00 268.20
Mar	269.60		269.60 268.70

Turnover: Raw 16 (99) lots of 50 tonnes. White 776 (733)
Paris- White (FFr per tonne): Aug 1547.90 Oct 1516.97

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jun	19.86	19.70	19.95 19.69
Jul	19.70	19.48	19.73 19.54
Aug	19.47	19.36	19.59 19.43
Sep	19.38	19.32	19.55 19.38
Oct	19.37	19.28	19.50 19.37
Nov	19.32		19.45 19.32
Dec	19.30	19.17	19.30 19.28
IPE Index	19.71	19.51	

Turnover 18691 (19955)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
May	178.25	177.25	180.00 178.00
Jun	178.25	176.75	179.50 177.75
Jul	178.50	177.25	180.25 178.00
Aug	180.25	178.75	181.00 179.50
Sep	182.50	180.75	182.75 181.50
Oct	184.50	182.75	185.00 184.25
Nov	185.50	184.25	186.00 184.25
Dec	186.50	185.00	186.00 186.00
Jan	185.25		185.25 184.25

Turnover 13004 (4896)lots of 100 tonnes

JUTE
May/June c and f Dundee BTC $385, BWC N/Q, BTD $360, BWD N/Q; c and f Antwerp BTC $370, BWC $370, BTD $360, BWD $350.

COTTON
Liverpool- Spot and shipment sales for the week ending May 1st amounted to 116 tonnes against 328 tonnes in the previous week. Slow trading persisted with dealings in west African and Israeli growths

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
May	560	561	565 555
Jul	585	589	591 582
Sep	614	616	617 609
Dec	651	652	651 645
Mar	685	686	685 680
Jul	731		730 728
Sep	751		754 751
Dec	778	781	778

Turnover: 2383 (2617) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 1 749.80 (739.66) 10 day average for May 5 757.77 (759.36)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
May	691	707	705 690
Jul	716	728	732 712
Sep	739	753	755 736
Nov	759	770	776 760
Jan	781	794	790 780
Mar	803	814	800

Turnover:2712 (2568) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 4: Comp. daily 49.29 (48.41) 15 day average 51.46 (52.50)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
May	113.0	112.0	113.0 110.0
Apr	114.3	116.5	115.0 114.0

Turnover 524 (162) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	120.00	118.50	120.00
Oct	126.00	125.00	126.00

Turnover 100 (30) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
May	1279	1275	1285 1275
Jun	1240	1235	1245 1235
Jul	1145	1135	1154 1140
Oct	1245	1250	1255 1245
BFI	1229	1219	

Turnover 200 (71)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
May	126.30	125.05	126.30 125.75
Jun	127.55	126.50	127.75 126.30
Barley	**Close**	**Previous**	**High/Low**
May	118.00	117.25	118.00

Turnover: Wheat 106 (27) , Barley 0 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	113.0		113.5 112.9
Aug	107.0	107.0	108.8 108.5

Turnover: 14 (3) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 27,689 lots
Cash	1285.5-6.5	1289-90	1282.5	1282.5-3		
3 months	1312-3	1314-15	1314/1307.5	1307-8	1313-4	166,383 lots
Copper, Grade A (£ per tonne)						Total daily turnover 27,889 lots
Cash	1231.5-2.5	1233.5-34.5	1232.5/1232	1232.5-3		
3 months	1263-4	1264-65	1267/1262.5	1263.5-4	1262-2.5	102,870 lots
Lead (£ per tonne)						Total daily turnover 2,116 lots
Cash	292-3	292-93		290.25-0.50		
3 months	305-5.5	304.5-05	306/303	302.75-3.25	304-6	16,814 lots
Nickel ($ per tonne)						Total daily turnover 4,404 lots
Cash	7390-5	7385-95	7390	7385-8		
3 months	7475-80	7475-85	7490/7460	7475-80	7480-5	23,956 lots
Tin ($ per tonne)						Total daily turnover 1,100 lots
Cash	5880-90	5865-75		5880-5		
3 months	5895-905	5885-90	5905/5890	5890-5	5900-5	7,170 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,422 lots
Cash	1385-90	1370-3	1370	1370-2		
3 months	1290-1	1292-93	1292/1281	1281-2	1288-9	58,808 lots

LME Closing £/$ rate:
SPOT: 1.7828 3 months: 1.7561 6 months: 1.7301 9 months: 1.7106

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	336.70-337.10	
Opening	336.40-336.80	
Morning fix	336.50	188.621
Afternoon fix	336.75	189.026
Day's high	337.00-337.70	
Day's low	336.20-336.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.01	6 months	3.20
2 months	3.03	12 months	3.35
3 months	3.08		

Silver fix	p/fine oz	US cts equiv
Spot	225.25	401.25
3 months	231.00	405.30
6 months	236.90	409.75
12 months	247.75	419.35

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	336.75-337.75	189.00-189.50
Maple leaf	347.50-348.50	194.75-195.25
New Sovereign	82.50-83.50	46.25-46.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1200	100	131	4	11
1300	39	63	32	42
1400	8	24	100	101
Copper (Grade A)	**Calls**		**Puts**	
2100	117	129	3	11
2200	40	61	26	41
2300	7	21	91	100
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
700	30	60	14	21
750	9	33	43	44
800	2	18	86	79
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
575	25	63	15	14
600	14	37	29	23
625	7	25	47	36
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1900				
1950	36	51	14	45
2000	14	34		65

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	337.5	337.3	337.5	0
Jun	337.8	337.6	338.1	337.0
Jul	336.7	338.5	0	0
Aug	339.6	339.5	339.9	339.0
Oct	341.4	341.3	0	0
Dec	343.4	343.3	343.9	343.2
Feb	345.7	345.6	345.6	345.6
Apr	348.0	347.9	0	0
Jun	350.5	350.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	353.7	353.1	355.0	352.0
Oct	357.5	357.1	358.5	357.0
Jan	357.6	357.2	357.5	357.0
Apr	359.1	358.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	405.4	400.2	407.0	400.0
Jun	406.7	401.5	0	0
Jul	408.0	402.8	411.0	402.5
Sep	411.1	406.0	413.0	407.0
Dec	415.9	410.8	419.0	410.5
Jan	417.5	412.5	0	0
Mar	421.3	416.3	421.0	419.5
May	425.1	420.2	424.0	424.0
Jul	429.0	424.2	428.0	428.0
Sep	433.5	428.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	99.40	99.95	99.70	99.40
Jun	99.75	100.20	99.75	99.75
Jul	100.05	100.50	100.30	99.85
Aug	100.20	100.60	0	0
Sep	100.40	100.80	100.50	100.25
Oct	100.45	100.85	0	0
Nov	100.50	100.90	0	0
Dec	100.55	100.95	100.60	100.40
Jan	100.35	100.75	0	0
Feb	100.15	100.55	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	61.70	62.05	62.30	61.10
Jul	61.09	61.61	62.20	60.75
Oct	62.10	62.60	63.00	62.10
Dec	62.73	63.36	63.50	62.50
Mar	63.90	64.50	64.50	64.00
May	64.34	64.95	64.90	64.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	21.15	21.12	21.20	20.85
Jul	21.16	21.13	21.20	20.89
Aug	21.11	21.09	21.16	20.87
Sep	21.01	20.99	21.03	20.80
Oct	20.88	20.90	20.90	20.73
Nov	20.85	20.81	20.85	20.64
Dec	20.79	20.75	20.80	20.58
Jan	20.55	20.64	20.57	20.51
Feb	20.46	20.55	20.47	20.46
Mar	20.47	20.47	0	0

HEATING OIL 42,000 US galls. cents/US galls

	Latest	Previous	High/Low	
Jun	5750	5756	5770	5670
Jul	5725	5723	5735	5650
Aug	5785	5785	5785	5725
Sep	5900	5900	5900	5855
Oct	5975	6000	5975	5945
Nov	6020	6085	6020	6020
Dec	6150	6170	6155	6130
Jan	6175	6190	6175	6150
Feb	6085	6085	0	0
Mar	5865	5865	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	891	904	905	890
Jul	940	948	950	932
Sep	982	989	992	975
Dec	1033	1041	1041	1025
Mar	1077	1084	1082	1082
May	1107	1114	0	0
Jul	1135	1142	1130	1130
Sep	1165	1172	0	0
Dec	1203	1210	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	59.05	60.40	60.80	59.00
Jul	60.25	61.40	62.10	60.10
Sep	62.45	63.75	64.20	62.30
Dec	65.80	67.15	67.75	65.80
Mar	69.15	70.75	71.00	69.50
May	72.00	73.25	73.50	72.00
Jul	74.50	75.65	75.50	74.50
Sep	78.00	78.25	78.25	78.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.60	9.49	9.63	9.43
Oct	9.08	9.01	9.09	8.98
Mar	8.97	8.91	9.00	8.89
May	8.94	8.88	8.97	8.86
Jul	8.95	8.85	0	0
Oct	8.93	8.82	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	137.00	136.65	137.90	136.00
Jul	127.20	127.90	128.25	127.00
Sep	119.45	119.85	120.65	119.45
Nov	112.55	113.00	114.60	112.55
Jan	112.00	113.10	114.50	112.00
Mar	111.80	113.10	113.75	113.00
May	111.70	112.60	0	0
Jul	111.70	112.60	0	0
Sep	111.70	112.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 5	May 4	mnth ago	yr ago
1592.8	-	1629.6	1720.7

DOW JONES (Base: Dec. 31 1974 = 100)

	May 1	Apr 30	mnth ago	yr ago
Spot	115.87	116.37	117.56	128.30
Futures	118.34	118.63	122.04	126.59

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	586/0	585/2	586/2	583/0
Jul	592/2	592/2	593/0	589/2
Aug	596/0	595/6	597/0	593/2
Sep	600/0	600/4	600/0	597/4
Nov	607/2	607/4	607/4	603/4
Jan	616/0	616/4	616/0	613/0
Mar	624/4	625/0	625/0	621/4
May	631/4	632/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	20.22	20.17	20.24	20.05
Jul	20.48	20.48	20.54	20.31
Aug	20.61	20.61	20.66	20.47
Sep	20.75	20.75	20.83	20.63
Oct	20.89	20.90	20.98	20.80
Dec	21.23	21.25	21.27	21.08
Jan	21.32	21.35	21.40	21.22
Mar	21.56	21.66	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	174.4	175.1	175.7	174.3
Jul	177.8	177.8	178.4	177.4
Aug	178.9	179.2	179.5	178.6
Sep	180.0	180.3	180.5	179.8
Oct	197.5	197.8	198.0	197.2
Dec	197.7	198.4	198.0	197.2
Jan	197.8	198.7	198.3	197.8
Mar	198.0	198.5		

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	250/6	253/2	252/4	249/6
Jul	257/6	259/6	259/2	256/6
Sep	257/4	259/4	258/6	256/4
Dec	258/0	259/6	259/0	256/2
Mar	265/4	267/6	266/6	264/0
May	269/4	272/0	270/4	268/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	383/6	388/4	386/2	379/4
Jul	371/6	374/6	374/4	368/4
Sep	375/0	379/2	378/2	371/2
Dec	381/2	385/6	384/6	377/4
Mar	381/0	385/0	383/4	376/4
May	369/0	378/0	373/0	367/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.100	74.125	74.425	73.650
Aug	71.175	71.150	71.475	70.825
Oct	70.350	70.525	70.650	70.175
Dec	69.725	70.050	70.050	69.625
Feb	69.325	69.400	69.600	69.275
Apr	70.525	70.800	70.800	70.500

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.525	48.425	48.500	47.500
Jul	45.300	46.100	46.300	46.250
Aug	43.325	44.025	44.150	43.300
Oct	40.175	40.875	41.000	40.100
Dec	42.600	43.100	43.150	42.500
Feb	43.450	44.000	43.900	43.400
Apr	42.300	42.525	42.600	42.300

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	34.350	34.925	35.500	34.200
Jul	34.625	35.175	35.600	34.500
Aug	32.500	32.825	33.350	32.450
Feb	42.800	43.050	43.300	42.600
Mar	42.150	42.325	42.750	42.150
May	42.550	42.800	0	42.650

Footsie falters on brink of record

By Steve Thompson

CONFIRMATION of the widely expected half-point cut in UK interest rates saw the FT-SE 100-share Index burst through its previous all-time closing high but fail by less than one point to penetrate its record intraday high.

After failing to push through the peak, the market quickly ran out of steam and saw an early strong rise turn into a minor loss, before closing moderately higher.

Dealers kicked off the shortened trading week by pushing share prices up sharply, anticipating another flurry of institutional buying interest after the rate cut.

Further impetus to the London market came from Wall Street which raced up to record levels during London's bank holiday period.

The Footsie topped its previous closing high – 2,679.6 reached on September 2 last year - opening some 20 points higher at 2,679.8 and quickly moving up to 2,683.0, or 23.2 higher, within minutes of the start.

But market was unable to build on this, as profit-taking from institutions anxious to lock in big profits achieved on the general election result, saw equities retreat for most of the remaining session.

Specialists said the market's reversal stemmed from a general feeling of anti-climax and worries that the market may well need to consolidate before launching another attempt at piercing its all-time high. There were also widespread concerns about the German economy and the possibility that Wall Street may have run too far too quickly. The US stock market opened easier yesterday and continued to drift off as London closed.

Dealers also spoke of at least two programme trades in London, both weighted on the sell side, and lingering worries about the possibility of sizeable rights issues.

Selling pressure in London reached its peak just before Wall Street opened. At that time the Footsie fell into negative territory, reaching the day's low of 2,658.4, or down 1.4. Thereafter it managed to claw its way back to end a busy session a net 2.4 higher at 2,662.2.

The trading session was spiced by another big placing. Smith New Court, the London market's bought deal specialist, acting in conjunction with Panmure Gordon, acquired and easily placed Sir Ron Brierley's 29.7 per cent stake in BSG International. The placing of the BSG stake, comprising some 60m shares, accounted for 120m of the market's turnover which reached 638.1m shares.

Pharmaceuticals were in the spotlight, with Glaxo delivering another sparkling performance as the UK authories granted approval for the group's Zofran anti-nausea drug. SmithKline Beecham moved higher in sympathy with Glaxo, but Fisons were aggressively sold late in the session following news that the group had failed so far to win US approval for its Opticrom drug.

Most senior dealers said the market had already factored in the half-point rate cut and was seeking further stiumlation. "We've had the good news for the time being: short of some bid activity we're due a period of consolidation," said one.

Account Dealing Dates		
*First Dealings:		
Apr 27	May 11	Jun 1
Option Declarations:		
May 7	May 28	Jun 11
Last Dealings:		
May 8	May 29	Jun 12
Account Day:		
May 18	Jun 8	Jun 22

*New-time dealings may take place from 8.30 am two business days earlier.

Zofran boost for Glaxo

AFTER feeling the wrath of American investors on Friday, Glaxo returned to favour yesterday as encouraging weekend press comment in the US restored the reputation of the group's leading drug, Zantac. In fact, it was Glaxo's new drug Zofran which took centre stage yesterday as UK approval – the first in the world – was received for the post-operative anti-nausea product. Analysts estimate that Zofran could generate sales of around £400m a year by 1995.

Glaxo was also boosted by a series of institutional meetings in London arranged by Canadian group Biochem Pharma, which is developing an anti-Aids drug on behalf of the UK company. The new drug, 3TC, is seen as a potential market threat to Wellcome, which declined 8 to 1058p. Glaxo surged ahead 31 to 751p in busy turnover of 4.5m.

SmithKline Beecham rose in sympathy with Glaxo to end 15 stronger at 870p. Expected approval by the US Food and Drugs Administration of Fisons' Opticron facility failed to materialise, the drugs group merely announcing that the inspection had been completed. The shares receded 11 to 379p.

Williams weak

Conglomerate Williams Holdings lost more than 4 per cent of its equity value as the market responded to suggestions that the company may launch a white knight bid for Dowty Group, the aerospace concern currently under attack from TI Group.

The shares tumbled 15 to 329p on turnover of 3.1m, with the market particularly concerned about the cash underwriting in the event of a bid from Williams. Mr Matthew Sutherland at County NatWest said: "I would not rule out the fact that Williams may be looking to do a white knight deal with Dowty. But it is unlikely that they will make an acquisition that will dilute earnings."

Shares in leading retailers failed to respond favourably to yesterday's ½ point cut in bank base rates, the Bank of England's endorsement of lower rates having been widely forecast.

Trading in Sears was fairly active, at 8m shares, and the stock dipped 4 to 101p ahead of tomorrow's results. Turnover in other leading stores was not heavy, although the recent disappointment at retail sales performance tended to push prices lower.

W.H. Smith "A" slipped 6 to 476p, while Boots gave up 7 to 465p and Dixons 7 to 249p. Ratners eased a penny to 20½p on lower turnover of 4.4m shares as bid speculation faded.

Technical factors tended to weaken Tesco, on completion of the buying in of shares for its employee profit sharing scheme. BZW's recent advice to switch into J. Sainsbury also weighed on Tesco, as well as adverse comment from Credit Lyonnais Laing about the sector's policy on property valuations. Tesco shed 4 to 274p.

Shoprite, whose shares were valued at under 400p a month ago, climbed a further 33 to 504p, following recent visits from securities houses. The shares have risen on optimism about a proposed store opening programme.

Saatchi & Saatchi was the day's second most busiest stock with 30m traded, the shares easing ½ to 22¾p. US and continental European buyers were most evident on expectations of a recovery in advertising revenue.

Turnover in PowerGen was a hefty 4.1m shares, with the price falling 6 to 228p, and National Power lost 5 to 221p on trade of 2.1m shares, amid reports that overseas investors were selling shares in the power generators. Scottish generating companies were steady, however, responding to a positive note from Smith New Court. The Electricity Package gave up £15 to £3178.

Friday's rumour that MEPC had let the remainder of its Alban Gate office block continued to lift the shares, in a generally positive property sector. MEPC, which touched 369p, was finally 3 up at 361p.

British Fittings plunged 48 to 105p after the building group announced losses, trading difficulties and the need for a new chairman.

Broker Hoare Govett decided that Thorn EMI was undervalued, citing the potential for expansion in the music market, and in particular new music formats such as Digital Compact Cassette. The shares rose 6 to 857p.

Lehman Brothers' downgrading of Allied-Lyons continued to weigh on the drinks and food giant, pushing the shares 9 lower to 630p. Speculation about a possible takeover bid has also faded of late.

BAT Industries, which reports first-quarter figures today, was wanted, the shares advancing 14 to 781p as turnover rose to 2.8m on speculation that profits may be higher than anticipated.

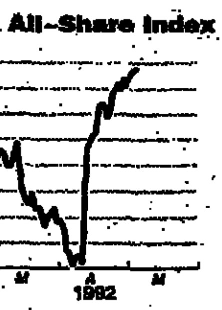
P & O moved ahead 10 to 515p after Smith New Court reiterated its buy recommendation on the stock. Mr Clive Anderson at Smith said the company has "an undemanding multiple for a recovery play and an attractive yield".

Motor components manufacturer BSG International closed 1½ firmer at 64p after Smith New Court and Panmure Gordon successfully placed the 29.7 per cent stake held by Sir Ron Brierley with institutions. The majority of the 60m-share holding, which was bought by the brokers at 61½p, was placed at 62p, while a block of 13.5m was placed in ex-dividend form at 59½p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Colin Millham.

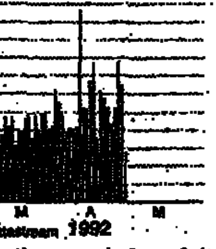
■ Other market statistics, Page 24.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream

FINANCIAL TIMES STOCK INDICES

	May 5	May 1	Apr 30	Apr 29	Apr 28	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.57	88.61	88.49	88.61	88.51	84.98	88.82 (15/4)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	103.45	102.98	102.78	102.94	102.80	94.25	103.45 (5/5)	97.15 (2/1)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2083.3	2081.7	2073.3	2076.5	2061.2	1989.7	2083.3 (5/5)	1851.4 (3/4)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	110.9	108.0	107.9	106.8	107.3	141.2	160.6 (10/1)	100.8 (28/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2662.2	2659.8	2654.1	2664.9	2651.0	2540.5	2664.9 (29/4)	2382.7 (3/4)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1224.04	1223.64†	1222.07	1224.53	1217.07	1171.19	1224.53 (29/4)	1120.52 (8/1)	1224.53 (29/4/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.36	4.38	4.39	4.37	4.40	4.83				
●Earning Yld %(full)	6.26	6.28	6.31	6.27	6.31	8.68				
●P/E Ratio(Net)(*)	20.05	19.98	19.92	20.07	19.91	14.21				
SEAQ Bargns 5.00pm	29,118	27,423	27,299	29,823	29,278	25,864				
Equity Turnover(£m)†	-	1055.6	1471.1	1371.8	1209.6	639.63				
Equity Bargains†	-	30,451	32,960	33,991	34,604	25,930				
Shares Traded (ml)†	-	534.7	659.3	781.3	532.5	391.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. * Nil 18.63 † Partial

Ordinary Share Index, Hourly changes Day's High 2097.9 Day's Low 2079.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2096.5	2095.7	2095.7	2092.7	2088.3	2084.0	2079.6	2081.0	2081.8

FT-SE 100, Hourly changes Day's High 2683.0 Day's Low 2658.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2679.8	2677.5	2677.4	2672.0	2667.5	2663.0	2658.4	2661.3	2662.0

FT-SE Eurotrack 200, Hourly changes Day's High 1229.13 Day's Low 1222.61

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1228.85	1228.46	1226.56	1226.17	1224.30	1223.17	1223.87

GILT EDGED ACTIVITY

Indices*	May 4	Apr 30
Gilt Edged Bargains	90.8	99.6
5–Day average	96.8	96.9

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover

London report and latest Share index Tel. 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TURNOVER in stock index futures rose sharply as the June contract on the FT-SE closed above the 2,700 level after a volatile session, writes Joel Kibazo.

A positive mood was much in evidence early in the session as June opened at 2,712, up 15 on Friday's close. A squeeze pushed the contract higher, buoyed by speculation about a cut in UK base rates.

The announcement of a cut at around 10am, however, led to a sell-off in June, as the weakness in gilts and the nervous trading in sterling both played their part in dampening the initially positive mood. Consequently, June hit a low of 2,683 at around 1pm, but recovered some of the lost ground as dealers moved to cover short positions just before the official close.

June finished at 2,702, around 22 points above its estimated fair value premium to cash of about 18. Turnover at 11,074 was high, with dealers reporting many trades done in large lots.

In traded options, volume at 34,698 was up on Friday's poor levels. The FT-SE option traded a total of 9,104 lots. British Steel was the busiest stock option, with a day's total of 3,923 contracts. It was followed by BP, in which 1,517 contracts were transacted.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (318).

BRITISH FUNDS (11) Tr. 3pc 1992, Tr. 8¼pc 1993, Tr. 8½pc 1993, Tr. 9pc 1994, Ex. 10¼pc 1995, Cv. 10pc 1996, Ex. 10½pc 1997, Tr. 13¼pc 1997, Tr. 8¾pc 1997, Ex. 15pc 1997, Ex. 9¾pc 1998, AMERICANS (2) Houston, Tenneco, CANADIANS (1) Gulf Canada, BREWERS (6) Burtonwood, Grand. Met., Guinness 5¼pc Pf., Do. 8¾pc '96-01, Mansfield, Vaux, BLDG. MATLS. (9) Baggeridge, CRH, Epwin, Katon, Manders, [illegible]

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Tuesday May 5 1992

[illegible]

FIXED INTEREST

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

AMERICANS

Notes	Price £	+ or -	1992 high low	Mkt Cap£m	Yld Gr's
Abbott Labs	38xd	+1/16	38 1/16 34	16,180	1.8
Allegheny & W	287p	—	335p 226p	138.7	6.3
Amdahl	1003p	+26	1189p 815p	1,113	0.6
Amer Cyanamid	34½	-¼	37 32¼	3,217	2.7
Amer Express	12½xd	—	13⅞ 10	5,982	4.5
Amer T & T	24⅝xd		24⅞ 20⅛	32,647	3.0
Ameritech	35¼	—	38 32½	18,892	5.5
BankAmerica	25¼xd		25⅝ 19	9,003	2.8
Bankers NY	32xd		37¼ 28	2,784	8.4
Bell Atlantic	25⅛	+⅛	26¾ 23⅛	9,890	5.8
BellSouth	28	—	29⅛ 25	13,627	5.5
Bethlehem Steel	8¼xd		9⅝ 7	630.3	—
Bowater	1375pxd	+18	1579p 1078p	493.9	4.9
CPC h	24xd	+¼	25⅝ 22¼	3,633	2.8
California Engy	719p	-6	833p 646p	138.9	—
Campbell Soup	19⅝	+⅛	23 18	4,993	2.2
Chase Manhattan	15⅛xd	+½	15⅛ 9⅛	2,156	4.5
Chrysler	10½xd		11⅛ 8¼	3,069	3.2
Citicorp	10½xd		11 5⅝	3,635	—
Colgate-Palm	27⅞xd	+⅛	28⅞ 25¼	4,377	2.1
Cont'l Bank	961p	-16	1058p 499p	971.1	3.5
Dana	24xd		24½ 14	969.6	3.8
Data General	513p	—	1004p 487p	141.6	—
Dial	19xd	-¼	24⅛ 18½	789.6	3.2
Dun & Brad	30⅛	+⅝	33½ 28⅞	5,428	4.2
Eaton	43¼	-¼	46½ 32½	1,478	2.9
Echlin	9xd		11 7⅝	548.8	4.0
FPL	19xd		19 18⅛	3,358	6.8
Fluor	24⅛xd	+¼	27 21	1,986	0.9
Ford Motor	25¼xd	-½	26¼ 15	11,953	2.2
Gen Elect	43xd		46¼ 40	37,535	2.7
General Host	470p	+6	555p 360p	—	4.3
Gillette	26⅛xd	-⅛	29⅞ 26⅛	6,767	1.5
Hasbro n	14½	+⅛	16 12⅞	1,249	0.5
Honeywell	41¼xd		43 34⅛	2,888	2.3
Houston Inds	25	+¼	26 23	3,237	6.7
IBM	61xd	+2⅛	64½ 46¼	29,715	5.2
Ingersoll-Rand	34⅛xd		38 29	1,769	2.2
Lockheed	28⅛	—	28⅞ 23⅛	1,638	4.6
Lowe's	2190p	+66	2470p 1631p	799.6	1.4
Merrill Lynch	28⅛xd		39 26¼	2,914	2.0
Morgan (JP)	31⅞xd	+½	37½ 29	3,067	3.8
Morris (Philip)	44xd		45 41⅛	40,989	2.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1992 high low	Mkt Cap£m	Yld Gr's	P/E
Russell (A)	93xd	—	93 76	21.8	3.1	35.1
SWP	6½	—	8 6½	1.61	12.3	7.1
Sandell	28	—	31 28	0.78	♦	—
St Gobain FFr	596⅞	—	596⅞ 541	4,086	3.6	♦
Sharpe & Fisher	96xd	+1	97 72	18.8	5.8	—
Shaw (A)	45	—	59 21	3.94	3.9	♦
Sheffield Insuls	98	—	111 70	24.0	7.3	37.0
Spring Ram	178xd	+2	178 136	642.4	0.2	♦
Stanton	13	—	15 10¼	43.1	3.1	♦
Steetley	483	-9	502 326	773.2	3.9	—
Tarmac	140xd	-2	181 103	1,035	5.2	♦
Tilbon	135	+5	135 85	15.2	3.2	14.5
Travis Perkins	205	-6	228 175	288.5	5.3	♦
Tudor	31	—	37 31	1.77	2.2	—
Unigroup	17½	—	24 19	5.19	—	—
Ward Group †	63	—	91 62	16.0	♦	2.8
Wickes	99	+3	99 53	286.9	—	—
Widnaw	15½	+¼	15½ 8¼	12.2	2.6	25.3
Wolseley	451	+3	465 368	1,865	3.6	21.0
Worcester ♦	220	+2	223 136	69.2	2.6	21.2

BUSINESS SERVICES

Notes	Price	+ or -	1992 high low	Mkt Cap£m	Yld Gr's	P/E
AGB †	470	+15	533 343	565.3	—	♦
For AFP see Chiltern Capital						
ASB Group	7	—	8 6	1.83	—	—
ATA Select	12	—	13 10	1.91	11.1	—
Adam & Harvey W	218	—	240 198	9.33	6.1	3.7
Air London †	125xd	—	127 120	10.9	3.6	13.0
African Lakes	58	—	63 57	3.92	4.8	♦
Automated Sec	100xd	+4	140 81	111.0	6.5	5.7
BET	142	—	216 106	1,060	12.4	15.9
BNB Res	86xd	+1	100 83	20.7	7.6	♦
BPP	250	—	258 208	63.3	3.7	14.6
Barbour Index †	254	—	275 178	42.8	3.5	17.7
Boustead	23	—	25½ 20	19.6	4.1	41.5
Brooks Service	88	—	101 68	18.6	6.1	♦
Burns-Anderson	5½	—	7 5	2.28	—	—
CRT ra	127	+2	134 103	85.9	1.6	23.5
Capita	344	+2	344 262	51.3	2.1	22.1
Casket †	25	—	28½ 19	19.9	1.1	21.0

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

TRANSPORT - Cont. (partial)

Name	Notes	Price	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's	P/E
SATX S.		£14¼	-⅛	£17¼	£13½	299.5	5.1	–
Graig Shipg	†	83	—	100	78	8.84	6.4	13.3
IoM Steam		188	—	203	181	38.2	5.3	8.3
Jacobs (J.I.)		37	+1	38	24	8.92	6.8	♦
Lon O'Seas Frts		83	+1	88	81	38.4	1.6	6.7
Man Ship Con		£14⅝	+⅛	£16¼	£13⅞	58.5	0.4	5.9
Mayne Nick AS		330	-2	368	309	936.3	4.3	18.9
Mersey Docks		220	+1	223	190	192.1	3.6	13.0
NFC Var Vtg	†	268xd	+2	270	220	1,484	3.1	21.8
Norex		84	—	131	84	8.47	3.2	2.5
Norish		118xd	+10	138	98	8.28	12.5	♦
Ocean Grp		332xd	+3	357	288	511.7	5.7	13.4
Ocean Wilsons		58	-1	58	36	23.0	6.3	5.6
P & O Dfd		515	+10	515	375	2,884	7.9	17.6
Sub Wrnts '88/'92		8¼	—	8¼	0¼	0.87	–	–
5½pc Pf		102	—	103	97	88.9	7.2	–
6¾p Cv Pf		106	—	107	83	50.4	8.8	–
Powell Duffryn		328	+2	329	267	298.6	9.4	14.5
Sea Containers S.		1063	+41	1348	922	104.7	3.7	–
Seacon		101	—	101	98	8.78	5.5	8.5
Seafield		16	—	21	15	10.8	–	1.5
TIP Europe	tg	53	—	57	41	60.5	4.6	9.9
TNT AS		80	-1½	87	62	452.2	4.0	9.6
Tibbett & Britten		587	+4	587	534	190.8	2.5	♦
Tiphook	†	411	+11	418	295	451.8	4.5	6.1
Transport Dev.		272	—	280	242	387.4	4.7	17.1
Turnbull Scott		88	—	90	65	4.28	–	–
Vard Nkr		£8⅛	+⅛	£8⅛	£4½	282.8	–	–

WATER

Name	Notes	Price	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's	P/E
Anglian	†	422	+½	425	308½	1,244	5.5	8.7
Bristol Water	Z	881	—	913	485	35.4	1.5	15.4
East Surrey	†	223	—	225	200	28.8	4.8	6.3
Mid Kent		175	—	188	163	28.6	6.9	5.0
North West	†	424	-1	438	323	1,545	5.5	7.7
Northumbrian	†	486	+6	488	336	318.2	5.3	6.0
Severn Trent	†	484	+7	484	298	1,430	5.8	6.2
Southern	†	412	—	415	301	878.8	5.7	8.9
South Staffs	Z	782	—	793	670	48.9	1.9	7.4
South West	†	427	+3	428	306	528.8	6.2	6.5
Thames	†	438	-2	447	324	1,886	5.3	8.9
Welsh	†	454	—	457	337	888.5	5.7	5.5
Wessex	†	482	+1	500	366	587.3	4.8	7.8
Yorkshire	†	464	+1	488	336	918.8	5.1	8.4

SOUTH AFRICANS

Name	Notes	Price	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's	P/E
Anglo Am Ind		£13½	—	£14⅝	£11⅞	788.2	5.4	♦
Barlow Rand		£8⅞	—	£10⅛	£8¼	1,752	3.8	12.6
Gold Flds Prop	s	85	—	118	85	9.71	10.6	13.8
New Klein Prop		145	—	145	125	2.81	8.7	3.9
OK Bazaars		185	—	183	133	108.5	7.9	7.8
SASOL		285	—	348	272	1,883	4.9	♦
SA Brews		858	—	1029	793	4,317	2.8	17.1
Tiger Oats	g	£17⅞	—	£17¾	£15⅞	1,881	2.1	17.2
Tongaat-Hulett		383	—	400	343	387.7	3.8	10.0

PLANTATIONS

Name	Notes	Price	+ or -	1992 High	1992 low	Mkt Cap £m	Yld Gr's
Rubbers, Palm Oil							
Anglo-East		35	+1	38	33	9.88	–
Bertam		80	—	84	79	16.2	3.3
Cons Plants MS	†	44	—	58	32	310.4	4.0
Golden Hope MS	n	36	—	42	36	280.5	4.2
Highlands MS		24	—	31	23	72.5	10.5
Kuala Kepong MS		72	—	79	59	905.1	4.5
Rowe Evans		40	-1	43	33	14.2	3.3
Teas							
Moran		133	—	135	120	5.83	1.0
Williamson		900	—	1000	700	28.8	3.7

MINES

Name	Notes	Price	+ or -	1992 High	1992 low	Mkt Cap £m	Yld Gr's
Central Rand							
Durban Deep		257	—	375	250	6.21	–
East Rand Prp		148	-1	188	132	23.3	–
Randfont'n Est	‡	253	+28	334	216	154.7	‡
Simmer & Jack		38	—	38	30	8.10	–
West Rand		69	—	185	58	2.89	16.2
Eastern Rand							
AFMIN	Z	2	—	5	2	0.48	5.0
Bracken		18½	—	25	18	2.59	–
East Daggfn	‡	126	-1	164	122	8.83	‡
Eastern Trans		48	—	85	40	34.5	7.2
ERGO		88	—	121	77	36.5	13.3
Grootvlei		62	—	88	58¼	7.08	17.5
Kinross		583	—	785	540	104.9	8.3
Leslie		38	—	88	29⅞	4.88	13.7
Randex		7	—	16	5	8.83	–
S African Ld		17	—	28	16	1.58	–
Winkelhaak	‡	519	-1	830	515	63.2	‡
Far West Rand							
Blyvoor		87	+3	118	83¼	28.9	7.1
Buffels		379	+7	586	366	41.7	11.1
Deelkraal		84	—	125	80	88.5	4.8
Doornfontein		24	+4½	46	17	9.88	–
Driefontein		631	+23	758	584	1,287	4.9
Elandsrand		290	—	478	298	290.8	2.4
Elsburg		33½	+2½	57¼	31	18.1	–
Hartebeest		182	+2	281½	188	215.8	10.9
Kloof		430	+12	624	405	528.7	4.2
Libanon		33½	+2½	65¼	31	13.4	–
Southvaal		£9⅜	—	£12⅞	9¼	237.3	5.7
Stilfontein		38½	—	80	38½	4.77	–
Vaal Reefs		£29¼	—	£40	£28	889.1	7.3
Ventorspost		25¼	—	44	24¼	5.18	–
Western Areas		52¼	+3	88½	48	21.1	–
Western Deep		£15½	+½	£23¼	£15	428.6	5.2
Zandpan		38	—	45	33	48.5	9.0
O.F.S.							
Beatrix	‡	208	+8	323	200	178.8	‡
FS Cons		430	-6	835	430	913.1	11.5
Free State Dev		20	—	33	15	4.46	–
Harmony	‡	267	+6	388	261	71.8	‡
Joel (H.J.)		40	—	70	38	38.2	–
Loraine		24¼	—	71	24	3.97	–
St Helena		323	+2	418	297	31.1	12.4
Unisel		152	—	183	140	42.6	1.3

MINES - Cont. (partial)

Name	Notes	Price	+ or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Kenmare		3¾	—	6½	3½	3.80	–
Malinga Res		33½	-½	34	31½	3.70	–
Navan Res		23½	-1	28	16	3.10	–
Northgate Expl CS	s	33	—	45⅞	33	4.16	–
North West Expl AS		3	—	6	2	1.81	–
Oryx Gold S		83¼	—	188	51	–	–
Ovoca Res		6	—	11	5½	0.42	–
Plateau		8½	—	18	8	3.07	–
RTZ		624	—	638	469	6,246	4.2
Vizcaya		1	—	3	1	0.53	–
Western & Pac CS		66	+2	80	7	36.2	–
Young Grp		28	—	118	4	3.01	17.3

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- \- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶¶ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ✧ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ✦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield including a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Royal Life Fd Mgmt Ltd (1000)F

PO Box 34, Peterborough PE2 0UE. Prices 071-410 0410
General Enq: 0733 390000 Dealing: 0733 393000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
United States	5	44.94	44.94	47.93	+0.20	0.37
Pacific Basin	5	43.65	43.85	46.73	+0.07	0.07
Equity Growth Acc	5	254.0	257.1	275.0	+1.90	2.84
High Inc Accum	5	161.2	161.2xd	172.4	+1.50	4.79
High Inc Dist	5	107.9	107.9xd	115.4	+1.10	4.79
Ryl Life Intl Cincy	5¼	50.57	50.57	53.74	+0.27	5.05
Ryl Life Intl Gwth	5¼	43.38	43.38	46.26	+0.14	0.17
Ryl Life Intl Secs	5¼	38.86	38.86xd	41.33	+0.13	0.49
UK Emerging Cos	5¼	88.93	90.53	97.87	+0.79	2.52
UK Index Tracking ♦	5¼	133.5	133.5	142.2	-0.50	4.09
European	6	73.15	73.15	78.86	-0.08	0.91
Managed	6¼	100.4	101.7	109.4	+0.38	1.47

Royal London Unit Tst Mgrs Ltd (1000)F

Royal Ldn Hse, Colchester CO1 1RA 0206 764400

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	5¼	105.9	105.9	112.6	+0.20	0.65
European Growth	5¼	73.66	73.66	78.09	+0.12	1.10
Far East Growth	5¼	61.84	62.51xd	66.50	+0.92	1.29
Japan Growth	5¼	91.21	91.21xd	97.03	-0.49	0.00
Special Sits	5¼	139.3	139.3xd	148.1	+1.10	3.04
UK Growth	5¼	58.97	58.97	62.73	+0.99	2.87
Triton General	5¼	157.4	159.4xd	169.6	+1.10	1.70

SIL Investment Management Ltd (0830)F

1 Undershaft, EC3A 8BR 071-220 7230

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sanwa American Gwth	5¼	45.43	45.81	48.73	+0.35	1.00
Sanwa Amer Smllr Cos	5¼	49.44	50.03	53.22	+0.2	0.00
Sanwa Asian Gwth	5¼	54.48	55.39	58.93	+1.16	1.25
Sanwa European Gwth	5¼	50.25	50.68	53.92	+0.11	1.50
Sanwa Global Bd	5¼	47.18	47.18xd	49.85	+0.13	6.00
Sanwa Global Eq	5¼	50.92	51.29	54.57	+0.25	0.50
Sanwa Japanese Eq	5¼	37.29	37.50	39.89	-0.08	0.00
Sanwa Japan Sm Cos	5¼	41.02	41.24	43.88	-0.07	0.00
Sanwa UK Gen	5¼	48.19	48.94	52.06	-0.01	3.00
Sanwa UK Gwth	5¼	48.20	48.95	52.08	+0.02	2.50

St James's Place UT Group Ltd (1200)F

150 St Vincent St, Glasgow G2 5NS 041-307 6500

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East Inc	5	100.5	102.0	107.9	+1.7	2.68
Far East Acc	5	100.5	102.0	107.9	+1.7	2.68
Gr Eur Prog Inc(0-U)	5	188.6	188.6	199.6	+0.3	2.36
Gr Eur Prog Acc(0-U)	5	287.0	287.0	303.7	+0.4	3.36
Growth Inc	5	76.05	76.05	80.48	-0.03	2.32
Growth Acc	5	76.83	76.83	81.30	-0.03	2.32
International Inc(0-U)	5	194.0	194.0	205.3	+0.3	3.70
International Acc(0-U)	5	263.2	263.2	278.5	+0.4	3.70
Nth Am & Intl Inc	5	219.0	219.0	231.7	-0.7	2.70
Nth Am & Intl Acc	5	261.7	261.7	276.9	-0.8	2.70
PEP Progressive Inc	5	142.0	144.6	153.0	+0.7	6.16
PEP Progressive Acc	5	154.4	157.2	166.4	+0.8	6.16
UK High Income Inc	5	105.4	107.2	113.5	+0.4	5.84
UK High Income Acc	5	105.4	107.2	113.5	+0.4	5.84

Sovereign Unit Tst Mngrs Ltd (1000)F

12 Christchurch Rd, Bournemouth 0202 2980[illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.56	49.56xd	50.05	+0.03	[illegible]
Cautious Portfolio	5¼	51.32	51.66	55.10	+0.28	[illegible]
Ethical	5¼	51.49	52.41	55.76	-0.32	[illegible]
European Growth	5¼	49.22	49.48	52.77	+0.25	[illegible]
Income	5¼	47.81	48.33xd	51.56	-0.94	[illegible]
Intl Growth	5¼	65.96	66.08xd	70.48	+0.15	[illegible]
Managed	5¼	61.20	61.56	65.66	+0.34	[illegible]
UK Growth	5¼	52.90	53.54	57.11	+0.51	[illegible]

Standard Chartered Equitor (1200)F

69 Old Broad Street, EC2M 1QS 071-280 65[illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd Exempt Acc	3	201.0	203.0	211.4	+0.9	[illegible]
Do Income	3	186.7	188.5	196.3	+0.2	[illegible]

Standard Life Tst Mgmt Ltd (0629)H

3 George St, Edinburgh EH2 2XZ 0800 3937[illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5¼	37.38	37.38	39.72	+0.1	[illegible]
UK Equity Gth Acc	5¼	51.97	52.93	56.24	+0.1	[illegible]
UK Eq High Inc Inc	5¼	31.61	32.34xd	34.37	+0.1	[illegible]
UK Eq High Inc Acc	5¼	36.22	37.06	39.38	+0.1	[illegible]
UK Equity Gen Acc	5¼	49.36	50.15	53.29	+0.2	[illegible]
UK Equity Gen Inc	5¼	38.20	38.82xd	41.24	+0.2	[illegible]
UK Larger Cos Acc F	7¼	333.5	337.6	366.4	+1.1	[illegible]
UK Larger Cos Inc F	7¼	264.4	267.7xd	290.5	+0.9	[illegible]
Gilt & Fxd Int Inc	5¼	28.11	28.18xd	29.81	-0.1	[illegible]
O'seas Lrg Cos Acc F	7¼	198.3	201.6	218.8	-0.6	[illegible]
Nth American Acc	5¼	34.99	35.15	37.35	-0.2	[illegible]
Far East Acc	5¼	36.51	37.44	39.79	-0.1	[illegible]
European Acc	5¼	35.14	36.46	38.74	-	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Life Insurance Soc.–Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
Pensionvestor* & Unit-Linked Plus*				
Mixed Fund	462.2	486.5	+5.7	–
Ordinary Share Fund	718.2	756.0	+12.1	–
International Fund	167.8	176.6	+1.4	–
Property Fund	259.4	273.1	-0.2	–
Fixed Interest Fund	406.8	428.2	+1.1	–
Index-Linked Sec Fund	190.6	200.6	+1.2	–
Deposit Fund	281.3	296.1	+0.8	–
Norwich Units Apr 22	1116.59		..	–

*Prices as at April 30

	Bid Price	Offer Price	+ or –	Yield Gross
Jersey Investment Plan				
With Profits Fund	124.21	130.75	+0.14	–
Intl Equity Fund	93.26	98.16	+0.34	–
Intl Bond Fund	118.44	124.68	+0.09	–

Norwich Union Pensions Management Ltd

Surrey Street, Norwich, NR1 3NG 0603 683335

	Bid Price	Offer Price	+ or –	Yield Gross
Gross Pooled Pensions				
Balanced Managed Fd	331.77	337.33	+0.94	–
Growth Managed Fd	110.74	112.71	+0.30	–
Sentinel Managed Fd	107.94	109.31	+0.28	–

Prices as at May 1

Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or –	Yield Gross
Property Dist (Gross)	134.1	141.2	(z)	–
Property Acc (Gross)	255.6	269.1	(z)	–
Equity (Gross)	910.5	958.4	(z)	–
Managed (Gross)	630.3	663.5	(z)	–
Property Acc (Net)	122.1	128.6	(z)	–
Equity (Net)	210.3	221.3	(z)	–
Managed (Net)	193.4	203.6	(z)	–
International (Net)	167.0	175.8	(z)	–
Gilt & Fixed Interest	138.8	146.2	(z)	–
Money Fund	138.3	145.6	(z)	–
Mixed Fund (Cap)	121.5	127.9	+1.7	–
Mixed Fund (Acc)	125.2	131.8	+1.5	–

Provident Mutual Life Assc. Assn.–Contd.

	Bid Price	Offer Price	+ or –	Yield Gross
Index Linked Gilt Init	123.9	130.4	+0.7	–
Overseas Equity Ord	271.7	286.0	+0.6	–
Overseas Equity Init	199.2	209.7	+0.4	–
Property Ord	220.6	232.2	+0.2	–
Property Init	161.7	170.2	–	–
Fixed Interest Ord	225.2	237.1	+0.2	–
Fixed Interest Init	165.1	173.8	...	–
Deposit Ord	185.1	194.8	+0.2	–
Deposit Init	135.7	142.8		–
Pension Funds				
Managed Ord	471.2	496.0	+0.1	–
Managed Init	345.5	363.7	-0.1	–
Equity Ord	737.7	776.5	-0.9	–
Equity Init	540.9	569.4	-0.8	–
Pen Ind Lkd Gilt Ord	182.2	191.8	+1.3	–
Pen Ind Lkd Gilt Init	139.5	146.8	+0.8	–
Overseas Equity Ord	308.9	325.2	+0.9	–
Overseas Equity Init	226.5	238.4	+0.5	–
Property Ord	278.6	293.3	+0.4	–
Property Init	204.3	215.1	+0.2	–
Fixed Interest Ord	285.8	300.8	+0.2	–
Fixed Interest Init	209.5	220.5	–	–
Deposit Ord	264.8	278.7	+0.3	–
Deposit Init	194.1	204.3	+0.1	–

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or –	Yield Gross
Prufund				
Managed Mar 22	264.6	275.7		–

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or –	Yield Gross
Prudential Managed Funds				
Discretionary Apr 29	£189.46	195.35		–
Equity Apr 29	£219.19	226.70		–
International Apr 29	£27.31	27.90		–
Intl Bond Apr 29	£14.36	14.54		–

Scottish Amicable

150 St Vincent St, Glasgow

	Bid Price	Offer Price
Life Funds (First Series)		
Managed	350.2	368.7
Equity	462.0	486.4
Property	230.4	242.6
International	303.0	319.0
Japanese	75.4	79.4
Asia Pacific	105.9	111.5
European	98.6	103.8
American	105.0	110.5
Fixed Interest	294.3	309.8
Index-Linked Gilt	154.2	162.3
Cash	207.1	218.1
Life Funds (Second Series)		
Managed	96.9	102.1
Equity	98.8	104.0
Property	92.2	101.3
International	43.2	98.1
Japanese	75.2	79.1
Asia Pacific	103.3	108.8
European	97.2	102.4
American	102.0	107.4
Fixed Interest	110.1	115.9
Index-Linked Gilt	98.1	103.2
Cash	102.1	107.5
Pension Funds		
Building Society	160.3	168.8
Managed (Init)	209.5	220.6
Managed (Acc)	388.3	408.8
Equity (Init)	253.1	266.5
Equity (Acc)	469.1	493.8
Property (Init)	151.3	159.3
Property (Acc)	278.7	293.4
International (Init)	178.9	188.4
International (Acc)	331.7	349.2
Fixed Interest (Init)	197.3	207.7
Fixed Interest (Acc)	365.6	384.9
Cash (Init)	152.0	160.1

OFFSHORE INSURANCES

MANAGEMENT SERVICES

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	Bid Price	Offer Price	+ or −	Yield Gross
Asset Global Funds Ltd (1200)				
Victory Hse, Prospect Hill, Douglas, IoM 0624620097				
CMI Fund Managers (IoM)				
Cortical Medical Hse, Douglas, IoM 0624625999				
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 677630				
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662256				
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624622444				

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or −	Yield Gross
Global Asset Management – Contd.				
Orbis Investment Management Ltd				
Orbitex Bahamas Ltd				
ORIENT Growth Fd				
PFC Internatl Portfolio Fd Mngt Ltd				

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling slips after rate cut

Sterling held most attention in the foreign currency markets yesterday, after the Bank of England signalled a ½ per cent cut in UK base rates, *writes James Blitz.*

The UK currency dipped below DM2.92 shortly after lunch as investors who had bought sterling at around DM2.88 after the April general election took profits. However, traders reported a large amount of corporate buying of the currency shortly afterwards to help sterling finish the day at DM2.9250, half a pfennig down from its previous close.

It also finished down against the dollar at $1.7825 compared to a previous close of $1.7850. Against its trade weighted index, the pound closed at 92.2 after opening at 92.4.

Analysts believe that despite its late recovery yesterday, the rate cut carries some downside risk for the UK currency. "The gap between German and UK rates is now wafer thin," said Mr Neil MacKinnon, chief economist of Yamaichi International, "and leaves sterling with little by way of support. The move has also shown the market that the UK authorities are prepared to use any chance they can to lower interest rates."

Mr Gerard Lyons, chief economist of DKB International, also believes that the cut carries risks. "It showed that the authorities are more worried about the weakness of the economy than anything else," he said.

High German rates were yesterday dealing blows to the US dollar as well. In European and North American trading, the US currency weakened against the D-Mark, partly due to renewed hopes of a solution to the German labour strike. But the interest rate differentials between German and American rates were irresistible. As one dealer said: "Germany may have its industrial problems. But it's hard to ignore that you can get 9¾ per cent interest on the Deutschemark compared to about 3¾ per cent with the dollar." In European trading, the dollar finished at DM1.6405, down from DM1.6410.

The only major currency not to lose out to the D-Mark yesterday was the French franc, which still enjoys investor popularity. An article in Le Monde, the French daily paper, suggested that there could be an impending revaluation of the currency. The franc finished at around Ffr3.3690 after opening at Ffr3.3696 against the D-Mark.

The dollar's difficulties stemmed mostly from last week's indifferent economic indicators. Analysts believe that employment data due at the end of this week should show a modest but positive improvement, but that investors will have to wait until further into the month of May before seeing clear signs of a recovery. The dollar closed at Y133.10 against a previous close of Y132.70.

£ IN NEW YORK

May 5	Latest	Previous Close
£ Spot	1.7840-1.7850	1.7780-1.7790
1 month	0.99-0.98pm	1.02-1.01pm
3 months	2.69-2.67pm	2.76-2.73pm
12 months	8.85-8.75pm	8.90-8.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 5	Previous
8.30 am	92.4	92.4
9.00 am	92.4	92.3
10.00 am	92.4	92.4
11.00 am	92.4	92.4
Noon	92.2	92.3
1.00 pm	92.1	92.3
2.00 pm	92.1	92.3
3.00 pm	92.1	92.3
4.00 pm	92.2	92.4

CURRENCY MOVEMENTS

May 5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.2	-19.4
U.S. Dollar	64.5	-13.9
Canadian Dollar	100.7	-1.5
Austrian Schilling	110.1	+12.2
Belgian Franc	111.3	-2.1
Danish Krone	109.0	+3.0
D-Mark	118.4	+24.7
Swiss Franc	104.7	+12.8
Dutch Guilder	114.3	+16.1
French Franc	104.2	-12.1
Lira	98.7	-20.0
Yen	138.1	+72.3
Peseta	107.8	-18.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for May 4

CURRENCY RATES

May 5	Bank † rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	N/A	0.703812
U.S. Dollar	3.50	1.37659	1.25089
Canadian $	7.49	1.63869	1.49968
Austrian Sch	7.50	15.9740	14.4415
Belgian Franc	8.50	N/A	42.2268
Danish Krone	9.50	8.77576	7.93499
D-Mark	8.00	2.26890	2.05245
Dutch Guilder	8.50	2.56330	2.30938
French Franc	10¼	7.64696	6.91427
Italian Lira	12	1704.65	1542.09

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	172.022	-3.76	5.14	62
Spanish Peseta	133.631	128.759	-3.65	5.02	62
Belgian Franc	42.4032	42.2268	-0.42	1.61	23
Dutch Guilder	2.31643	2.30938	-0.30	1.50	18
D-Mark	2.05586	2.05245	-0.17	1.35	15
Irish Punt	0.767417	0.769160	0.23	0.96	-7
Italian Lira	1538.24	1542.09	0.25	0.93	-9
French Franc	6.89509	6.91427	0.28	0.91	-11
Sterling	0.696904	0.703812	0.99	0.19	-21
Danish Krone	7.84195	7.93499	1.19	0.00	-51

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 5	Day's spread	Close
US	1.7805 - 1.7850	1.7820 - 1.7830
Canada	2.1215 - 2.1285	2.1235 - 2.1245
Netherlands	3.2825 - 3.3025	3.2825 - 3.2925
Belgium	60.00 - 60.40	60.00 - 60.10
Denmark	11.2775 - 11.3550	11.2950 - 11.3050
Ireland	1.0935 - 1.0990	1.0945 - 1.0955
Germany	2.9150 - 2.9325	2.9225 - 2.9275
Portugal	243.80 - 246.75	244.70 - 245.70
Spain	183.00 - 183.95	183.05 - 183.35
Italy	2191.00 - 2204.50	2195.50 - 2196.50
Norway	11.3900 - 11.4600	11.4125 - 11.4225
France	9.8250 - 9.8875	9.8425 - 9.8525
Sweden	10.5225 - 10.5925	10.5425 - 10.5525
Japan	236.50 - 237.75	236.75 - 237.75
Austria	20.51 - 20.65	20.55 - 20.58
Switzerland	2.6750 - 2.6950	2.6850 - 2.6950
Ecu	1.4215 - 1.4290	1.4220 - 1.4230

Commercial rates taken towards the end of London trading.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 5	Day's spread	Close
UK†	1.7805 - 1.7850	1.7820 - 1.7830
Ireland†	1.6200 - 1.6295	1.6285 - 1.6295
Canada	1.1900 - 1.1925	1.1905 - 1.1915
Netherlands	1.8400 - 1.8560	1.8445 - 1.8455
Belgium	33.65 - 33.90	33.65 - 33.75
Denmark	6.3325 - 6.3725	6.3375 - 6.3425
Germany	1.6360 - 1.6480	1.6400 - 1.6410
Portugal	137.20 - 137.60	137.20 - 137.30
Spain	102.65 - 103.35	102.65 - 102.75
Italy	1229.00 - 1238.00	1231.75 - 1232.25
Norway	6.3950 - 6.4325	6.4025 - 6.4075
France	5.5125 - 5.5650	5.5225 - 5.5275
Sweden	5.9000 - 5.9450	5.9150 - 5.9200
Japan	132.50 - 133.25	133.05 - 133.15
Austria	11.5250 - 11.5900	11.5350 - 11.5400
Switzerland	1.4995 - 1.5135	1.5080 - 1.5090
Ecu	1.2450 - 1.2535	1.2525 - 1.2535

Commercial rates taken towards the end of London trading. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000. French Fr. per 10. Lira per 1,000. Belgian Fr. per 100. Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
105	-	-	-	-	0.17	-
106	-	-	-	0.03	0.36	-
107	0.59	-	-	0.14	0.65	-
108	0.13	0.74	1.20	0.63	-	-
109	0.02	0.42	0.80	-	-	-
110	-	0.19	-	-	-	-
Open Int	125,706	47,775	9,930	97,573	30,133	9,823

Estimated volume 20,883 Total Open Interest 320,940

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7825	1.7728	1.7555	1.7304	1.6925

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10.5
● Henry Ansbacher	10.5	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Financial & Gen. Bank	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10.5	● Robert Fleming & Co.	10	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	Robert Fraser & Ptnrs.	10	Royal Bk of Scotland	10
Bank of India	10	Girobank	10	● Smith & Williamson Secs.	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10.5	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10.5	● United Bk of Kuwait	10
Brit Bk of Mid East	10.5	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co.	10.5	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10.5	Westpac Bank Corp.	10.5
Citibank NA	10	Julian Hodge Bank	10.5	Whiteaway Laidlaw	10
City Merchants Bank	10.5	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10.5	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Bank cuts base rate

The Bank of England signalled a ½ per cent cut in UK interest rates yesterday by offering lower rates at the short end of its dealing operations in the discount market. The base rate cut to 10% was the first rate cut for nine months, but the market appeared unsure as to what time scale to put on money at this level of interest.

After signalling a shortage of around £900m, the Bank purchased £10m of Band-1 Treasury bills at 9⅞ per cent, £659m of Band-1 bank bills at 9¾ per cent, and £5m of Band-2 bank bills at 9¾ per cent.

UK clearing bank base lending rate 10 per cent from May 5, 1992

That interest rate compared with a rate of 10⅜ offered for short-term bills in Bands-1 and -2 last week.

The forecast was later revised to a shortage of around £950m before taking account of the early operations.

The bank later purchased £300m of Band-2 bank bills at 9⅞ per cent.

The overnight rate fell in line with the rate cuts, reaching a low on the day of 7¼ per cent and finishing at around 9½ per cent.

But other period rates indicated, if anything, that the market expects this to be the last rate cut for some time. The rate for three month money ended at 10⅛-⅛ per cent compared to 10½-⅜ per cent one week ago. Further out, the rates ended at 10 $\frac{3}{16}$-$\frac{1}{16}$ for everything from four month money to one year.

In the futures market, volumes were high in the wake of the base rate cut. After trading in a twelve-tick range, the June short sterling contract finished at 89.92, after a high of 89.99. The closing price indicates an implied interest rate in June of 10.08 per cent, roughly in line with a 10 per cent base rate.

The market's eyes are now fixed on whether the German Bundesbank might raise rates, a move that would put pressure on sterling following yesterday's cut.

Close attention will be paid to Thursday's meeting of the Bundesbank's General Council. "Nobody in the market expects the Bundesbank to raise rates on Thursday," said Mr Gerard Lyons, chief economist of DKB International. "But there is a fear that German money supply figures for April will ratchet up again." As a result, the market's eyes are even more firmly set on the Bundesbank meeting in two week's time, after the M3 figures have come out.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 5) 3 months US dollars		6 months US Dollars	
bid 3⅞	offer 4	bid 4 $\frac{1}{16}$	offer 4 $\frac{3}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6½	One month	3.45	Three year	5.83
Broker loan rate	6	Two month	3.56	Five year	6.80
Fed funds	3¾	Three month	3.71	Seven year	7.18
Fed funds at intervention	-	Six month	3.89	10-year	7.56
		One year	4.26	30-year	8.05
		Two year	5.29		

May 5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.70-9.80	9.70-9.80	9.70-9.80	9.70-9.80	9.75
Paris	9 $\frac{13}{16}$-9 $\frac{15}{16}$	9⅞-10	9⅞-10	9 $\frac{15}{16}$-10 $\frac{1}{16}$	9 $\frac{15}{16}$-10 $\frac{1}{16}$	9.60
Zurich	7⅞-8⅛	8⅞-9	-	8⅝-8⅞	-	-
Amsterdam	9.31-9.38	9.47-9.54	-	9.48-9.55	-	-
Tokyo	-	-	-	-	-	-
Milan	12¼-12½	12⅜-12⅝	-	12¼-12⅜	-	-
Brussels	9½-9¾	9½-9¾	-	9½-9⅝	-	-
Dublin	9⅞-10	10¼-10½	10¼-10½	10¼-10½	10¼-10½	-

LONDON MONEY RATES

May 5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅞	10½	10 $\frac{3}{16}$	10¼	10⅛	10⅛
Interbank Bid	8	9½	10 $\frac{1}{16}$	10	9⅞	9⅞
Sterling CDs	–	–	10 $\frac{1}{16}$	10 $\frac{1}{16}$	10	10
Local Authority Deps.	10⅛	10¼	10¼	10⅛	10⅛	10⅛
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	9	9 $\frac{13}{16}$	–	–	–	–
Company Deposits	–	–	10⅛	10⅛	10⅛	10⅛
Finance House Deposits	–	–	10⅛	10⅛	10 $\frac{1}{16}$	10 $\frac{1}{16}$
Treasury Bills (Buy)	–	–	9¾	9½	9⅜	–
Bank Bills (Buy)	–	–	9¾	9 $\frac{11}{16}$	9½	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	3.80	3.85	4.00	4.23
SDR Linked Dep. Offer	–	–	6⅛	6⅛	6¼	6⅜
SDR Linked Dep. Bid	–	–	6¼	6¼	6⅜	6½
ECU Linked Dep. Offer	–	–	10⅜	10⅜	10⅜	10⅜
ECU Linked Dep. Bid	–	–	10 $\frac{3}{16}$	10 $\frac{3}{16}$	10 $\frac{3}{16}$	10 $\frac{3}{16}$

Treasury Bills (sell): one-month 9⅝ per cent; three months 9½ per cent; six months 9¼ per cent; Bank Bills (sell): one-month 9 $\frac{11}{16}$ per cent; three months 9⅝ per cent; Treasury Bills: Average tender rate of discount 9.5628 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1992. Agreed rates for period May 26, 1992 to June 23, 1992, Scheme I: 11.79 p.c., Schemes II & III: 11.93 p.c. Reference rate for period April 1, 1992 to April 30, 1992, Scheme IV&V: 10.685 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from May 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

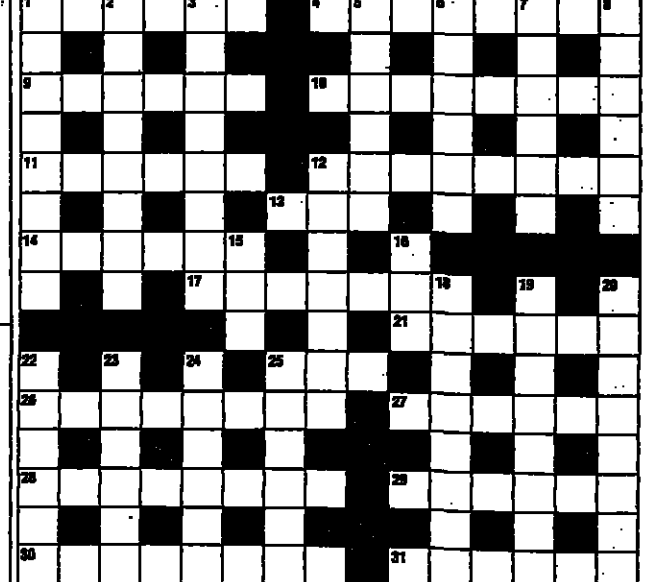
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,840 Set by HIGHLANDER



ACROSS

1 More nippy one avoids eating centre of truffle plant (6)
4 Sticks to original supplier (8)
9 Scandinavian and not British detectives are sent round (6)
10 Type of punishment given by NCO (8)
11 Trend reverses before abridged edition prepared for publication (6)
12 Free beer at resort after 51 (8)
13 In Rome it was so poorly reported (3)
14 Look on cover as protection for pupil (6)
17 Get rid of players on cricket side (4,3)
21 Time to publish special paper (6)
25 One among many (3)
26 Plainchant used for service (8)
27 Sign appears when round the bend (6)
28 Young lady isn't finished by head injury (8)
29 Learned cleric of supreme excellence (6)
30 10 conceals heart-broken cow (8)
31 Puts on in separate sections (6)

DOWN

1 Handled if gender involved (8)
2 Stone was wet and uncomfortable (8)
3 Heroic story about the same widespread disease (8)
5 Cancer is one subject covering source of radium (6)
6 He nicks small change from large vessel (6)
7 Attack at a place where there is passageway for vehicles (6)
8 He counts and recounts (6)
12 Itemised record shows tipping (7)
15 Mother has to hold back (3)
16 A length behind (3)
18 Successful qualifier is last to start and first to finish (8)
19 Expecting too much when given amount in guineas (8)
20 Enthusiasm can be very competitive to a point (8)
22 What she may do with hair if given permission? (6)
23 It's spring, said the old man (6)
24 Like them, has no note on a breathing problem (6)
25 Appropriate point for extension can be stated in a letter (6)

Solution to Puzzle No.7,839

AFFORD COMPRESS / FRAMED STEELING / COMMERCE PASTOR / ERNE DROPPER / ARREARS LINE / NOTING SOMEWHAT / REPEATER OFFICE / DENOTING BRIGHT

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices May 5

MONTREAL

3:00 pm prices May 5

INDICES

NEW YORK

DOW JONES	May 4	May 1	Apr 30	Apr 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3378.13	3336.09	3359.12	3333.18	3378.13 (4/5)	3172.41 (2/1)	3378.13 (4/5/92)	41.22 (2/7/32)
Home Bonds	99.36	99.25	99.19	99.18	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1380.79	1359.49	1372.57	1367.53	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.19	210.75	211.07	208.50	225.59 (3/2)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3394.68 (3375.67) Low 3340.79 (3316.64)

STANDARD AND POOR'S

	May 4	May 1	Apr 30	Apr 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	416.91	412.53	414.95	412.02	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	494.19	489.11	492.36	488.05	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.82	34.34	34.42	34.60	35.14 (15/1)	32.40 (8/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.42	227.20	228.30	226.58	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amer Mkt. Value	391.61	389.78	390.61	385.78	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	583.54	578.14	578.68	569.94	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 1	Apr 24	Apr 10	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.80	2.85	3.44

	Apr 29	Apr 22	Apr 15	year ago (approx.)
S & P Industrial div. yield	2.62	2.63	2.57	2.74
S & P Indl. P/E ratio	28.96	28.80	29.46	18.70

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Saatchi	2,825,500	1⅛	...
Glaxo	2,775,200	26⅝	+ 1
Boeing	2,381,000	43¾	- ½
IBM	2,340,000	92⅞	+ 1⅛
Ford Motor	1,722,100	45	+ ⅛
Limited	1,564,200	23½	+ ⅝
Pepsico	1,464,400	36½	+ ⅛
Arkla	1,299,900	8⅝	+ ⅛
Waste Man	1,272,000	38⅞	+ 1⅛
Chemical Bkg Cp	1,265,100	37⅞	+ 1½

TRADING ACTIVITY

† Volume Millions	May 4	May 1	Apr 30
New York SE	174.520	177.360	223.160
Amex	147.294	13.988	13.453
NASDAQ	144.233	147.294	180.120
NYSE			
Issues Traded	2,235	2,241	2,230
Rises	1,160	782	1,190
Falls	585	909	559
Unchanged	490	550	481
New Highs	76	62	86
New Lows	7	13	27

CANADA

TORONTO	May 4	May 1	Apr 30	Apr 29	1992 HIGH	1992 LOW
Metals & Minerals	2994.56	3002.35	3015.72	3011.14	3238.87 (16/1)	2828.26 (8/4)
Composite	3363.50	3357.10	3355.60	3357.00	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1756.35	1756.90	1759.23	1763.49	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed (u) Unavailable.

3:00 pm prices May 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp x	0.48	3.5	18	109	13⅞	13½	13⅝	-⅛
28	20⅝	A L Labs A	0.18	0.8	110	17	23⅛	23	23⅛	+⅛
68¼	56	AMP Inc x	1.52	2.5	24	1394	61⅝	60½	61¼	+⅞
80¼	64¼	AMR				3445894	69⅞	67¼	68⅞	+2
2⅛	1⅛	ARX			2	69	2	1⅞	1⅞	-⅛
53½	40¼	ASA	2.00	4.6	12	815	43⅞	42¼	43⅝	+1⅛
68⅛	58⅞	Abbott Lab	1.20	1.8	25	4504	67⅞	67¼	67¼	-⅛
13⅞	12	Abitibi Pr	0.43	3.5		8z100	12¼	12¼	12⅜	
11⅞	10⅛	ACM Gv In x	0.96	9.0		518	10⅝	10½	10⅝	
10⅞	9⅛	ACM GvOpp x	0.80	8.4		40	9½	9⅜	9½	+⅛
9½	8½	ACM Gd Sa x	0.80	9.1		106	8¾	8⅝	8¾	
11⅛	10⅛	ACM Gvt So	0.96	9.2		280	10⅜	10¼	10⅜	
9⅛	8⅝	ACM Man x	0.95	10.3		625	9¼	9⅛	9¼	+⅛
12⅞	10⅝	ACM MaxSp x	1.08	9.9		47	11	10⅞	10⅞	-⅛
11⅞	7	Acme Cleve x	0.40	5.2	33	376	7⅞	7⅝	7⅝	-⅛
6¼	4½	Acme Elect			4	2	5½	5½	5½	
33¼	18⅞	Acuson			13	560	21¼	20¾	21⅛	+⅛
19½	16⅛	Adams Expr	0.48	2.6	0	37	18¼	18⅜	18⅝	-⅛
15⅛	13	Adobe12Pf	2.40	16.4		25	14⅝	14⅝	14⅝	
5⅞	4½	Adobe Res			2	279	5¼	5⅛	5⅛	
49½	39	Ad Micro	3.00	6.8		324	44	43	44	+1
21½	14⅝	Ad Micro P	3.00	16.6		78577	18⅛	17	18⅛	+1⅛
9½	5	Advest Grp	0.16	2.4	67	251	6¾	6½	6¾	+¼
71¾	67⅛	Aegon ADR	1.60	2.2	8	140	69⅞	69⅛	69⅞	
47	39	Aetna Lf	2.76	6.6		92213	42⅛	41⅞	42	
12	8⅞	Ahll A	0.24	2.2	12	741	11	10⅝	11	+⅛
32⅞	24	Aflac	0.44	1.6	14	339	28½	27½	28⅝	+¼
19⅝	15⅛	Ahmanson	0.88	5.3		73302	16⅞	16¼	16⅝	+⅛
22½	11⅝	Alleen Inc			9	407	11⅞	d10⅛	10⅝	-1⅛
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	66½	Xerox	3.00	4.1	18	2481	74⅝	73⅞	73¾	-⅞
53½	50½	Xerox4.125				10	52	51½	51½	-½
28½	24⅞	Xtra 1.94	1.94	7.4		5	26½	26½	26	
37	28½	Xtra Corp	0.80	2.4	14	882	34¼	32¾	34	+2
27	25¼	Yankee Egy	1.60	6.0	12	2	26⅝	26⅝	26½	
1½	½	Zapata			26	100	1⅛	1⅛	1⅛	
11⅞	6¾	ZenithElec			3	358	7⅝	7½	7½	
17¼	14½	Zenith Nat x	1.00	5.9	7	540	17⅛	16⅞	17	+⅛
8⅞	6	Zenix Inc	0.85	12.6		75	6¾	6⅝	6¾	+⅛
13¾	11⅛	Zero Corp	0.40	3.4	18	82	12⅛	11⅞	11⅞	-⅛
39	32⅝	Zurn Ind	0.88	2.6	14	363	33¼	d32⅞	33¼	-⅛
14⅞	12¾	Zweig Fund	1.16	8.9		189	13	12⅞	13	
11	9⅞	Zweig Totl	1.00	9.7		468	10½	10⅜	10⅜	-⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices May 5

NASDAQ NATIONAL MARKET

3.00 pm prices May 5

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	2357	27½	26½	27	+¼
Xoma Corp		9	3587	16½	15½	16¼	+⅜
Yellow Fr	0.94	25	510	31⅛	30½	30⅞	+⅛
York Rsch		43	919	5⅜	5	5¼	
ZionUtah	1.44	10	22	52	50	51½	

AMERICA

Dow pauses after reaching record level

Wall Street

US equities moved in a narrow range in quiet trading after closing at a record high on Monday, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was off 6.93 at 3,371.20. Volume was modest, with less than 115m shares changing hands by 1 pm.

On the big board, advancing issues had a slim edge on those declining.

The Standard & Poor's 500 added 0.49 to 417.40 at 1 pm while the Nasdaq composite gained 2.01 to 585.55.

Transportation issues were particularly strong with the Dow Jones Transportation Average up 13.83 to 1,394.62 at 1 pm.

Delta Air Lines firmed $1⅛ to $61¼. AMR, parent of American Airlines, added $2¾ to $69¼ and UAL, parent of United Airlines, rose $2⅛ to $127⅛.

Among featured issues, Cigna added $1⅛ to $52⅞. The insurance company's first quarter earnings of $1.48 a share, against 67 cents a year earlier, were released after the close of trade on Monday.

Glaxo Holding's American Depository Receipts rose $⅝ to $27 in heavy trading. The company's Zofran drug received marketing approval in the UK for use in preventing and treating post-operative nausea.

The approval comes only days after UK regulators approved marketing of Glaxo's migraine drug.

April car sales figures from Ford and Chrysler spurred active trading in both issues.

Chrysler turned in a 38 per cent jump in truck sales for the month while car sales rose 5 per cent. The company said April was its best month for total vehicle sales in nearly two years.

Ford's car sales advanced 5.5 per cent while truck sales rose 19.2 per cent. Shares in Ford eased $⅛ to $44⅞ while Chrysler added $⅛ to $18⅛.

ITT, the big US conglomerate, climbed $2⅝ to $66⅝ in active trading on news that it is planning an new share repurchase programme for common and convertible preferred for up to 25m equivalent common shares.

The repurchase plan is intended to help the company achieve a 15 per cent return on equity by 1996.

Santa Fe Pacific slipped $⅝ to $12⅛ on news that it had filed for a secondary offering with the Securities and Exchange Commission (SEC) to allow beleaguered Canadian property developers Olympia & York to sell its 18 per cent stake in the railway company.

Technology issues performed well on both the big board and in over-the-counter trading.

On the NYSE, IBM rose $⅝ to $98¼ and Hewlett Packard firmed $1 to $81⅛.

In over-the-counter trading, Microsoft added $1⅛ to $115⅛ but Apple Computer eased $⅛ to $60.

Canada

TORONTO stocks were mixed in quiet midday trade as investors awaited the Canadian long bond and the US three-year note auction later in the session.

The TSE 300 was up 5.5 to 3,369.1. Declines led advances by 223 to 209 in volume of 14.3m shares valued at C$174.5m.

The gold sector climbed 2.35 per cent while the industrial products and the real estate and construction sectors both dropped nearly 0.75 per cent.

Among the most active stocks, Dundee Bancorp A shares added 12 cents to C$2.37, Northern Telecom eased C$⅛ to C$46⅝ and Telus Corp was steady at C$14 ⅝. Anderson Exploration added C$⅛ to C$9 and Placer Dome firmed C$⅛ to C$12⅝.

EUROPE

Zurich at 1992 high as Milan sinks to new low

ZURICH closed at a new high for the year, while Milan hit a 1992 low, *writes Our Markets Staff.*

FRANKFURT, anticipating an early end to the public sector strikes, recorded its first gains in the DAX since April 22. The index advanced 4.35 to 1,732.64 although the FAZ index was 1.29 lower at 698.00. Turnover rose to DM4.3bn from DM3.8bn.

Retailers were stronger on hopes that a resolution to the strike would mean a return to normal levels of consumer spending. Estimates have suggested that sales have fallen by between 20-50 per cent over the last two weeks. Asko rose DM13 to DM821, Karstadt gained DM11.50 or 1.9 per cent to DM620 and Kaufhof was DM9 firmer at DM495.

Escada, the fashion house, saw the sharpest fall of the day, losing DM81 or 10 per cent to DM430 after forecasting lower 1992 profits.

Schering fell DM5.80 to DM813.70 after reporting a 2 per cent fall in first quarter profits, due to weaker earnings at its pesticide division. Henkel shed DM1.50 to DM613 in spite of forecasting a rise in turnover this year.

Lufthansa fell another DM1 to DM146.50, as the strike shut down Frankfurt. Volkswagen gained DM1.70 to DM380.50 ahead of today's annual report and Degussa closed at a year's high, up DM9.30 at DM356.50.

PARIS was boosted by Wall Street's overnight record close and hopes of lower interest rates following the cut in the UK. The CAC-40 index closed up 5.31 at 2,046.93 but turnover was modest at FFr2.4bn ahead of the holiday on Friday.

Eurotunnel added 70 centimes or 1.8 per cent to FFr39.40 with 1.1m shares traded on expectations that it would fill the vacancy in the CAC-40 index following the merger of Hachette and Matra. The packaging companies CMB and Pechiney International are also contenders for inclusion in the index. Pechiney International added FFr4.20 or 2 per cent to FFr211.70, while CMB rose FFr3.50 or 1.9 per cent to FFr188.80.

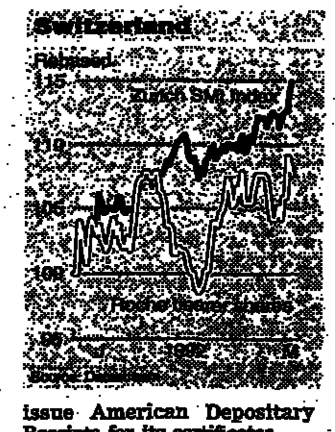
Hachette and Matra could fall when they resume trading today, on disappointment at the lack of details on the exchange of existing shares into shares of the future Matra-Hachette SA.

ZURICH advanced to a new high for the year, with Roche taking the limelight. The SMI index gained 12.8 to 1,920.5, but off an intra-day high of 1,926.4.

Roche, which reported a 26 per cent rise in first quarter group sales, saw its certificates gain SFr50 to SFr3,300 while its bearers shed SFr70 to SFr4,380. The group said it intends to issue American Depositary Receipts for its certificates.

FT-SE Eurotrack 100 - May 5							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1177.89	1177.61	1177.42	1177.80	1178.49	1178.25	1178.64	1178.23
Day's High 1179.15				Day's Low 1176.72			
May 1	Apr 30	Apr 29	Apr 28	Apr 27			
1175.00	1174.96	1174.59	1169.61	1169.59			

Base value 1000 (26/10/90).



Swissair bearers advanced SFr8 to SFr750 after reporting a 5 per cent increase in first quarter earnings, while Baloise certificates advanced SFr165 to SFr2,120 after Monday's announcement that it was to swap certificates for shares. Its registered shares fell SFr90 to SFr2,200.

MILAN closed at a new 1992 low as hopes for a technical correction came to nothing. The Comit index fell 4.08 to 492.18 in turnover estimated at near Tuesday's L129bn.

Analysts said that while a temporary recovery was still likely, the outlook for the market was far from encouraging. The increased political and economic risks had not yet been discounted, and there were also fears that the market would sink under the weight of new paper if the state holding company, Iri, continued to sell off stakes in state-controlled companies.

Generali dropped L360 to L29,140 ahead of its 1991 results. After the close, the insurer reported a rise of 8.1 per cent in its parent net profit to L381bn, which appeared slightly better than expectations. But analysts were disappointed that Generali had again decided to pay part of the dividend with Alleanza savings shares.

Stet recovered L28 to L1,927 after its recent slump while Italcementi showed signs of stabilising, closing L101 lower at L14,822.

AMSTERDAM's CBS Tendency index closed 0.6 lower at 129.3.

DSM shed 50 cents to Fl 113.80 in spite of its first quarter profits falling in line with market expectations. Akzo, which reported strong first quarter growth last week, gained Fl 1.90 to Fl 161.90.

Nedlloyd advanced Fl 1.90 to Fl 58.20 on a buy note from County NatWest, while Philips, which reports first quarter results today, weakened 40 cents to Fl 38.60.

STOCKHOLM's Affärsvärlden General index added 8.2 to 993.7 in turnover of SKr746m after SKr549m.

Procordia B-restricted shares closed SKr3 higher at SKr196 and Volvo's B-restricted climbed SKr2 to SKr412, after last night's announcement that Procordia had called off its bid to take over the vehicle group.

MADRID was stronger in moderate turnover of some Pta11bn. The general index rose 0.12 to 249.17.

Tubacex gained Pta39 or 14.6 per cent to Pta305 on news that Paribas, the French bank, was to take a stake in the steel manufacturer.

OSLO gained ground on renewed hopes of economic recovery. The all-share index closed up 5.64 at 455.12 in turnover of NKr708m.

Pacific Rim puts Japan in the shade

By John Pitt

Pacific Rim markets, with the exception of Japan, were strong last week as Hong Kong attained an all-time high and Singapore attracted institutional buying.

However, weakness in Europe, and a listless Tokyo ahead of the Golden Week holidays, restricted the gain in the FT-Actuaries World index to 0.57 per cent in local currency terms.

Hong Kong was initially boosted after a leading Chinese politician reiterated the already widely publicised view that economic reforms in China would continue. This was followed by the announcement by Lloyds Bank that it was to challenge HSBC's bid for Midland Bank, of the UK.

Any signal that HSBC's bid might fail is being welcomed, says Mr David Bates of Asia Equity in London. "The view in Hong Kong is that they would prefer HSBC to invest in China," he added.

This was demonstrated last Wednesday when rumours that HSBC might increase its £3.3bn offer knocked 50 points off the Hang Seng index in 15 minutes.

However, the market rallied in the last two days of the week, on Friday climbing 2 per cent to a record level as investors anticipated the half-point cut in interest rates that was announced after the close.

A buy program worth $100m by a US index fund on Thursday boosted Singapore. The program was the equivalent of an average day's turnover. Speculation that this week's first-quarter GDP figures would reveal growth of some 5 per cent, better than expectations, also helped to lift sentiment later in the week.

After last Thursday's 2 per cent advance was equalled on Monday (the market was closed on Friday) the Straits Times Industrial index fell back yesterday, closing 10.32 off at 1,488.65.

South Africa was lifted by the return of institutional investors, who opted for industrial and mining shares. A rise in the price of gold and platinum gave additional buoyancy to the market.

A presentation by De Beers, at which the group forecast sales for the first half of 1992 15 per cent below those of the corresponding 1991 period, was seen as positive. An earlier prediction had put the fall at between 25 to 35 per cent.

Some analysts, however, expect the South African market to consolidate this year after the 40 per cent rise in the industrial index last year.

Mexico was depressed by Telmex's first-quarter figures showing an unspectacular 13 per cent increase in net earnings. Some analysts also noted that investors were taking profits ahead of the utility's $1.5bn offering of American Depositary Shares.

The release of better than expected inflation figures gave a boost to the Australian market in the second half of the week, the index rising to a three-month high. A flat inflation figure for the March quarter has fanned expectations that the government would cut interest rates.

Norsk Hydro, Norway's biggest listed company, gave a fillip to that market with the news that it returned to profits in the first quarter after a net loss of NKr498m for 1991. Another positive signal was given by Elkem, the metals producer, whose first-quarter results exceeded expectations. The company also forecast rising demand throughout the rest of 1992.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-2.18	-3.30	-22.18	+7.52	+3.60	-1.16
Belgium	-0.03	+1.23	-2.12	+4.80	+1.42	-3.24
Denmark	-1.36	+1.21	-5.06	-6.74	-9.16	-13.34
Finland	+1.61	+4.76	-22.64	+9.27	+5.16	+0.32
France	+1.96	+3.67	+13.99	+14.73	+12.60	+7.42
Germany	-1.46	-0.32	+2.46	+9.11	+5.72	+0.86
Ireland	+1.14	+7.36	-0.82	+4.99	+2.30	-2.40
Italy	-0.93	-0.80	-10.30	+1.81	-0.67	-5.23
Netherlands	+1.18	+4.97	+6.48	+11.34	+7.95	+2.99
Norway	+3.80	+5.89	-8.60	+8.40	+5.41	+0.56
Spain	-0.59	-0.84	-6.58	+1.41	-0.16	-4.75
Sweden	-0.22	+0.64	+0.51	+9.26	+7.04	+2.13
Switzerland	+0.53	+3.21	+12.68	+12.24	+6.27	+1.38
UK	+0.61	+12.30	+6.14	+7.90	+7.90	+2.94
EUROPE	+0.32	+5.96	+4.51	+8.49	+6.70	+1.79
Australia	+3.70	+6.87	+7.58	+0.73	+5.15	+0.30
Hong Kong	+3.14	+11.48	+51.20	-3.92	+35.16	+28.95
Japan	-0.15	-0.38	-33.40	+28.57	-24.62	-28.06
Malaysia	+0.54	-0.38	-6.13	-23.62	+16.96	+11.58
New Zealand	-0.25	+4.13	-3.02	-5.44	-1.13	-5.66
Singapore	+4.65	+8.04	-1.66	-0.46	+2.27	-2.43
Canada	+0.38	-0.72	-5.06	-3.92	-2.06	-6.58
USA	+0.93	+2.69	+9.17	-1.00	+3.76	-1.00
Mexico	-3.44	-2.18	+92.82	+20.30	+24.52	+18.79
South Africa	+2.58	-0.67	+15.43	+9.20	-2.81	-7.28
WORLD INDEX	+0.57	+2.84	-8.19	-5.14	-3.90	-8.32

† Based on May 1st 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

ASIA PACIFIC

Hong Kong runs into profit-taking

WALL STREET'S record close overnight had only a limited effect on the Pacific Rim yesterday, as Tokyo remained shut for the Golden Week holidays. Seoul was closed for Children's Day, while Bombay was closed to enable brokers to complete business done in the last two weeks.

Bangkok was also shut for a public holiday. Dealers feared that an anti-government protest, planned to coincide with Prime Minister Suchinda Kraprayoon's policy speech to parliament, could prompt a fall in share prices when the market reopens today.

HONG KONG ran into profit-taking after its recent record-breaking run. The Hang Seng index climbed more than 60 points in the first 15 minutes of trading, but was then pushed into negative territory before closing a net 17.43 up at 5,631.21. Turnover was still heavy, at HK$4.3bn, after HK$4.8bn.

Among utilities, Hong Kong Electric put on 10 cents to HK$17.10 and Hong Kong Telecom rose 25 cents to HK$9.70.

Jardine Matheson slipped 50 cents to HK$52.50, Sun Hung Kai Properties shed 50 cents to HK$31.50, and Hang Seng Bank lost 25 cents to HK$43.75.

AUSTRALIA ended firmer but after retreating from the day's high in the wake of comments by Mr Paul Keating, the prime minister, suggesting that interest rates would only be cut by a half-point rather than the full point the market had been expecting. The All Ordinaries index ended just 1.1 ahead at 1,665.5, after reaching 1,678.4, in turnover of A$228m, against A$166m.

BHP slipped 6 cents to A$14.06, but News Corp gained a further 56 cents to end at the day's best of A$20.50.

NEW ZEALAND gained ground but slipped from the day's high following light profit-taking in Fletcher Challenge and Carter Holt Harvey, which have both advanced strongly in recent weeks. The NZSE-40 index moved forward to 1,478.37 before finishing at 1,470.12, up 2.58 on balance. Turnover expanded to NZ$28.4m from NZ$20.3m.

Fletcher touched NZ$3.58 before ending down 2 cents at NZ$3.50, while Carter Holt reached NZ$2.58 before closing 2 cents off at NZ$2.55.

Telecom benefited from the rally on Wall Street, recovering 4 cents to NZ$1.99.

KUALA LUMPUR closed broadly higher as smaller investors joined the recent rally, concentrating on stocks in the second and third tiers. Dealers also attributed the market's buoyancy to the publicity ahead of listing of power company Tenaga Nasional at the end of this month. The composite index rose 5.55 to 603.02 in turnover of M$145m, up from M$103m.

Telekom was active, rising 20 cents to M$12.40.

TAIWAN finished mixed in light activity, after early gains were eroded. The weighted index opened more than 30 points higher but closed a net 2.94 off at 4,536.53 after buying interest faded. Turnover came to T$16.8bn (T$17.3bn).

Cement shares rose on reports that demand for cement would soar because of Taiwan's huge infrastructure building plans. Chia Hsin Cement rose T$3.50 to T$59.

MANILA lost early gains on profit-taking. The composite index shed 0.31 to 1,245.52 as turnover rose to 169m pesos from 143m. Philippine Long Distance Telephone bucked the trend, rising 15 pesos to 970 pesos.

JAKARTA's index ended 3.08 up at 283.12 in moderate volume of 7.7m shares. Cigarette shares rose on expectations that a monopoly supplying the industry with cloves, an essential ingredient in local cigarettes, would soon collapse.

SOUTH AFRICA

JOHANNESBURG closed sharply higher following the appointment of Mr Derek Keys as finance minister. The industrial index added 39 to 4,407 and the overall index was 29 higher at 3,533. The gold index added 2 to 1,050.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 4 1992								FRIDAY MAY 1 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	150.48	−0.6	125.16	126.13	128.54	132.73	−0.2	4.15	151.31	125.68	126.92	129.10	133.00	153.68	140.94	143.79
Austria (19)	162.48	−1.3	135.14	136.19	138.79	139.27	−1.3	2.10	164.59	136.71	138.07	140.42	141.06	186.70	162.48	200.80
Belgium (46)	138.23	−1.0	114.97	115.85	118.07	115.30	−1.1	5.28	139.66	116.00	117.14	119.15	116.58	145.19	135.87	134.85
Canada (115)	127.29	+0.0	105.88	106.69	108.73	109.72	+0.0	3.35	127.33	105.75	106.80	108.62	109.67	142.12	125.60	137.72
Denmark (35)	233.27	+0.8	194.03	195.53	199.26	201.94	+0.9	1.63	231.51	192.29	194.20	197.51	200.18	273.94	226.81	234.23
Finland (15)	78.55	+0.4	65.33	65.84	67.09	73.75	−0.3	2.02	78.27	65.01	65.66	66.77	73.99	89.80	73.84	112.58
France (105)	162.39	+0.5	135.06	136.10	138.70	141.08	+0.5	3.34	161.60	134.23	135.55	137.86	140.31	162.39	148.06	136.61
Germany (65)	117.96	−0.3	98.11	98.88	100.75	100.75	−0.2	2.30	118.34	98.29	99.28	100.96	100.96	122.84	114.67	110.39
Hong Kong (55)	233.09	+2.5	193.87	195.37	199.11	231.66	+2.4	3.52	227.41	188.88	190.75	194.02	226.46	233.09	176.36	151.90
Ireland (16)	163.30	−0.3	135.82	136.88	139.49	141.64	−0.3	3.74	163.78	136.03	137.38	139.73	142.06	173.71	151.78	156.42
Italy (78)	70.08	−1.9	58.29	58.74	59.86	64.61	−1.9	3.56	71.45	59.34	59.93	60.95	65.84	80.86	68.92	77.75
Japan (473)	97.76	+0.1	81.31	81.94	83.51	81.94	+0.0	1.04	97.68	81.13	81.94	83.35	81.94	140.95	88.70	140.50
Malaysia (68)	242.90	+1.6	202.03	203.59	207.48	235.26	+1.4	2.76	238.99	198.50	200.46	203.89	232.09	250.18	212.49	228.69
Mexico (18)	1652.87	+0.0	1374.77	1385.41	1411.87	5564.24	+0.0	1.05	1652.60	1372.62	1386.23	1409.92	5564.24	1789.77	1376.91	898.78
Netherland (25)	157.32	+0.0	130.85	131.86	134.38	132.75	+0.1	4.21	157.24	130.60	131.90	134.16	132.59	157.32	147.88	140.64
New Zealand (14)	44.35	+0.1	36.89	37.18	37.89	43.83	+0.4	8.29	44.32	36.81	37.18	37.81	43.66	48.52	42.01	53.01
Norway (23)	183.83	+2.2	152.90	154.09	157.03	160.13	+2.0	1.59	179.79	149.33	150.81	153.39	156.91	192.95	161.26	189.81
Singapore (38)	220.09	+2.7	183.06	184.48	188.00	167.70	+2.8	1.95	214.35	178.04	179.80	182.87	163.21	228.43	192.76	198.68
South Africa (61)	233.75	+1.3	194.42	195.92	199.66	175.57	+1.3	2.89	230.78	191.68	193.58	196.89	173.34	263.60	208.16	202.80
Spain (50)	148.98	+0.0	123.87	124.83	127.21	116.35	+0.1	5.21	148.98	123.74	124.97	127.10	116.19	160.47	146.86	154.34
Sweden (25)	187.20	+1.2	155.70	156.91	159.91	164.15	+1.1	2.75	184.99	153.65	155.18	157.83	162.40	190.37	173.09	175.78
Switzerland (59)	102.67	+0.9	85.39	86.06	87.71	95.81	+1.2	2.23	101.76	84.52	85.36	86.83	94.63	104.22	95.99	92.12
United Kingdom (228)	190.51	−0.1	158.46	159.67	162.72	158.46	+0.0	4.68	190.78	158.46	160.01	162.75	158.46	190.78	165.85	172.65
USA (522)	169.92	+1.0	141.33	142.43	145.15	169.92	+1.0	2.94	168.18	139.68	141.08	143.49	168.18	171.66	160.92	153.94
Europe (789)	150.22	−0.1	124.94	125.91	128.32	127.47	+0.0	3.86	150.34	124.87	126.11	128.27	127.43	150.68	139.31	138.73
Nordic (98)	175.74	+1.1	146.17	147.30	150.12	147.78	+1.1	2.20	173.81	144.37	145.80	148.29	146.21	188.52	169.68	173.97
Pacific Basin (717)	104.24	+0.2	86.70	87.38	89.05	87.98	+0.2	1.43	104.00	86.38	87.24	88.73	87.82	141.97	94.40	140.68
Euro − Pacific (1506)	122.83	+0.1	102.17	102.95	104.92	104.27	+0.1	2.61	122.73	101.94	102.94	104.70	104.16	145.21	113.80	140.23
North America (637)	167.25	+1.0	139.11	140.20	142.89	165.83	+1.0	2.95	165.61	137.55	138.93	141.32	164.19	169.69	158.70	152.86
Europe Ex. UK (561)	126.24	+0.0	105.00	105.84	107.86	109.59	+0.1	3.22	126.30	104.90	105.98	107.77	109.52	129.79	121.81	118.17
Pacific Ex. Japan (244)	168.10	+1.2	139.81	140.92	143.60	149.96	+1.2	3.64	166.15	138.00	139.38	141.77	148.10	168.10	149.00	141.83
World Ex. US (1700)	125.21	+0.1	104.14	104.96	106.96	108.53	+0.1	2.63	125.08	103.89	104.93	106.72	108.39	146.91	116.45	141.21
World Ex. UK (1994)	134.52	+0.6	111.89	112.76	114.92	122.79	+0.6	2.50	133.76	111.10	112.21	114.13	122.10	150.58	127.21	141.70
World Ex. So. Af. (2161)	138.73	+0.5	115.39	116.29	118.51	125.67	+0.5	2.75	138.08	114.68	115.83	117.81	125.05	153.05	130.04	144.08
World Ex. Japan (1749)	162.56	+0.6	135.21	136.26	138.86	151.51	+0.7	3.29	161.56	134.19	135.53	137.86	150.51	162.56	153.20	147.91
The World Index (2222)	139.35	+0.5	115.90	116.80	119.04	126.12	+0.5	2.75	138.67	115.18	116.33	118.32	125.48	153.70	130.66	144.44

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Latest prices were unavailable for this edition. Markets closed May 4: Japan, Mexico and United Kingdom.